S. HRG. 108–702

ROYALTY ON SODA ASH; AMEND THE NATIONAL GEOLOGIC MAPPING ACT; GRANTS PROVIDED TO PACIFIC ISLAND TERRITORIES; AND VOTING RIGHTS OF THE ARMED FORCES

HEARING

BEFORE THE

SUBCOMMITTEE ON PUBLIC LANDS AND FORESTS

OF THE

COMMITTEE ON
ENERGY AND NATURAL RESOURCES
UNITED STATES SENATE

ONE HUNDRED EIGHTH CONGRESS

SECOND SESSION

ON

S. 2317 **S. 2353**
H.R. 1189 **H.R. 2010**

JULY 14, 2004

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ROYALTY ON SODA ASH; AMEND THE NATIONAL GEOLOGIC MAPPING ACT; GRANTS PROVIDED TO PACIFIC ISLAND TERRITORIES; AND VOTING RIGHTS OF THE ARMED FORCES

WEDNESDAY, JULY 14, 2004

U.S. SENATE,
SUBCOMMITTEE ON PUBLIC LANDS AND FORESTS,
COMMITTEE ON ENERGY AND NATURAL RESOURCES,
Washington, DC.

The subcommittee met, pursuant to notice, at 2:32 p.m. in room SD–366, Dirksen Senate Office Building, Hon. Larry E. Craig presiding.

OPENING STATEMENT OF HON. LARRY E. CRAIG, U.S. SENATOR FROM IDAHO

Senator CRAIG. The Subcommittee on Public Lands and Forests will convene. This legislative hearing is on S. 2317, S. 2353, H.R. 1189, and H.R. 2010. So good afternoon, everyone. I want to thank you all for coming to our hearing today.

Today we will have two representatives from the Department of the Interior. I want to welcome Mr. David Cohen, who is the Deputy Assistant Director for Insular Affairs, and Patrick Leahy, Associate Director for Geology from the USGS. I also want to thank our witnesses for taking the time to come to Washington to testify. I know you have traveled a long way and it will help you—it certainly will help us better understand the need for this legislation.

We will be hearing testimony on the following four bills, as I had mentioned: S. 2317 was introduced by Senator Thomas—Senator Thomas is here with us as a member of this committee—to reduce Federal royalty on soda ash for 5 years. That is S. 2317. S. 2353 is a bill to reauthorize the National Geologic Mapping Act for another 5 years. H.R. 1189 is a bill to increase the waiver requirement for local funding matching funds for grants provided to the U.S. territories of American Samoa, Guam, the Virgin Islands, and the Northern Mariana Islands; and H.R. 2010, a bill to provide for the election of the American Samoa delegate to the U.S. House of Representatives by plurality vote and for other purposes. The subcommittee has received a statement from the American Samoa delegate, who wished he could be here today, but timing has not allowed that, on these two island bills.

I also have a statement from the Idaho State geologist on S. 2353. They will all become a part of the record.

[The prepared statements of Senator Bunning and Mr. Faleomavaega follow:]

PREPARED STATEMENT OF HON. JIM BUNNING, U.S. SENATOR FROM KENTUCKY, ON S. 2353

Thank you, Mr. Chairman. I am pleased the Energy Committee will be hearing testimony today on a bill reauthorizing and amending the National Geologic Mapping Act of 1992. As an original co-sponsor of the bill, I would like to thank Senator Craig for introducing this important legislation.

Kentucky is a leader in geological maps and is at the forefront of geologic mapping techniques. I have seen firsthand the successes of this program through the Kentucky Geological Survey Office, led by Jim Cobb, who will testify before us today.

This cooperative Federal-State program has provided significant benefits to Kentucky. While mapping in Kentucky is built on our long tradition of coal mining, these maps now aid many new initiatives, from water supply planning to economic development.

Establishing a thorough and precise catalog of the lay of the land in the Commonwealth has opened a world of development opportunities.

This act has provided the Federal funds, leveraged by State money, to create and catalog our terrain.

I would like to thank the witnesses for their testimony on the bills before the committee today. Thank you, Mr. Chairman.

PREPARED STATEMENT OF HON. ENI F.H. FALEOMAVAEGA, U.S. DELEGATE FROM AMERICAN SAMOA

ON H.R. 1189

Dear Mr. Chairman, Vice Chairman, and Ranking Member, thank you for holding a hearing on H.R. 1189, a bill to increase the waiver requirement for certain local matching requirements for grants provided to American Samoa, Guam, the Virgin Islands, or the Commonwealth of the Northern Mariana Islands.

As you know, the U.S. House of Representatives unanimously passed H.R. 1189 on November 18, 2003 and Congress first enacted a matching waiver requirement for the territories in 1980, recognizing the difficulty of territorial governments to access federal grant moneys.

At that time, the waiver was set at $100,000 for American Samoa and CNMI. Later in 1983 and 1984, the law was amended to increase the requirement to $200,000 and simultaneously added the territories of Guam and Virgin Islands for eligibility. It has now been twenty years since this law has been revisited and the current waiver of $200,000 has proven to be inadequate to meet the needs of the insular areas.

Our territorial governments continue to be challenged with rising unemployment, decreased government revenues, and impediments to attracting new capital for diversification. The insular areas simply do not have the financial resources to meet the matching fund requirements required by federal law. Consequently, we are often unable to apply for the federal grants that we need to address critical issues like health, education and economic development. H.R. 1189 would alleviate these difficulties by increasing the waiver requirement to $500,000.

H.R. 1189 would also direct the Secretary of the Interior to complete and submit to the House Committee on Resources and the Senate Committee on Energy and Natural Resources the results of a study of the implementation of the changes to the matching requirement made through this legislation. While it is clear that more comprehensive legislation is needed to bring about sustainable economic growth and relief for the insular areas, I believe this legislation will alleviate some of the economic difficulties we have been facing.

At this time, I would like to thank my colleague from Guam, the Honorable Madeleine Bordallo, for co-sponsoring this important legislation. I also truly appreciate the support of Chairman Richard Pombo and Ranking Member Nick Rahall of the House Committee on Resources for recognizing the importance of this issue. Again, I thank you for holding this hearing and I urge successful passage of H.R. 1189.

ON H.R. 2010

Mr. Chairman, Vice Chairman, Ranking Member, thank you for holding this hearing on H.R. 2010, a bill I introduced to protect the voting rights of active duty serv-

ice members and overseas voters whose home of residence is American Samoa. I regret that I am unable to accept your invitation to testify at today's hearing due to an important event taking place in my district.

As you may know, the traditional chiefs and leaders of Manu'a ceded their islands to the United States 100 years ago and the people of American Samoa are joining together to celebrate this historical relationship on July 14, 2004. Equally important is today's hearing on H.R. 2010 and I thank you for entering the full text of my statement into the record.

H.R. 2010 is a bipartisan bill which is supported by Chairman Richard Pombo and Ranking Member Nick Rahall of the House Committee on Resources. On May 5, 2004, the House Committee on Resources passed this bill by unanimous consent. On June 14, 2004, the House passed H.R. 2010 without objection.

I am pleased that the Senate is now considering H.R. 2010 and I would like to note for the record that on October 29, 2003 the House Committee on Resources held a hearing on this bill. On behalf of the U.S. Department of the Interior, the Assistant Secretary for Insular Affairs was invited to testify but declined citing that this was a local issue.

Locally, H.R. 2010 is supported by the Governor of American Samoa, the President of the Senate, the Speaker of the House, and 85% of those surveyed in American Samoa agree that overseas voters and active duty service members should have the right to vote in federal elections held in the Territory.

Since the Assistant Secretary has now accepted an invitation to testify before the Senate Energy and Natural Resources Subcommittee on Public Lands and Forests, he has given me his word that the Department of the Interior will not raise objections to H.R. 2010. I would also like to note that I have kept the Department of the Interior fully informed of all matters pertaining to this legislation.

For the past six years, this matter has also been before the people and the local leaders of American Samoa. Since 1998, I have written to our Governors, past and present. I have written and testified before our local Legislature, or Fono, and copies of my testimony, my letters, and local responses have been made part of the House Committee records. I would like to ask that these addendums and the full text of my remarks be included in the Senate records.

In short, American Samoa's overseas voters and military men and women have been disenfranchised from the political process and have been denied the right to vote in federal elections held in the Territory. In part, this has been due to two complications. One, American Samoa law has required overseas and uniformed voters to register to vote in person and this has been contrary to the Uniformed and Overseas Citizens Voting Act of 1975.

While I am pleased that our Legislature is working to address the local registration process, our uniformed and overseas voters have also been denied the right to vote as a result of Public Law 95-556 passed on October 31, 1978. Federal, or P.L. 95-556, provides for the Territory of American Samoa to be represented by a nonvoting Delegate to the United States House of Representatives and mandates that if no candidate receives a majority of the votes cast, on the fourteenth day following such election, a runoff election shall be held between the candidates receiving the highest and second highest number of votes cast.

Like the Governor of American Samoa, the Honorable Togiola T.A. Tulafono, I believe this 1978 federal law requiring a runoff election to be held only 14 days after the general election creates, as Governor Togiola says, "a situation where it is virtually impossible for American Samoa's Election Office to send out absentee ballots to the men and women in the military and expect to receive them back in time for those votes to be counted in a run-off election." Given that our mail is delayed and our air service is limited to two flights a week, Governor Togiola and I agree that some measure should be put in place to assure that the votes of our military men and women are counted and that this injustice is corrected.

During the 107th Congress, I introduced H.R. 3576, a bill to establish primary elections and which made sure that American Samoa's Delegate was elected by a majority of the votes cast. When introducing this bill, I pointed out that both Guam and the Virgin Islands were once bound by the two week federal runoff requirement but established primary elections to resolve similar problems of sending out and receiving back absentee ballots in time for those votes to be counted. Although I suggested that American Samoa could benefit from modeling its federal election procedures after Guam and the U.S. Virgin Islands, the American Samoa Government (ASG) chose not to support this bill and cited as its reason that primary elections were too costly.

Given ASG's financial difficulties and out of respect for its concerns, I introduced H.R. 4838 which called for voting by plurality in lieu of primary elections. As I explained when introducing H.R. 4838, 49 of the 50 states use plurality voting to elect

their Representatives to Congress. The counties of Tualauta and Itu'au in American Samoa also elect their representatives by plurality vote. Plurality voting minimizes costs to the local government and also provides active duty service members and other overseas voters an opportunity to participate fully in the federal election process. Despite these benefits, ASG also chose not to support this bill. This time, the former and late Governor Tauese P.F. Sunia stated that he believed "the intent of Congress when they established majority vote was to ensure a strong mandate for American Samoa's Delegate."

To be clear about this, I would like to provide this Committee with a legal history of how election law was determined for American Samoa. In 1951, President Harry S Truman issued Executive Order 10264 which transferred administrative responsibility for the islands of American Samoa from the Secretary of the Navy to the U.S. Secretary of the Interior. The Secretary of the Interior, in turn, appointed our Governors.

In 1960, the people of American Samoa adopted a Constitution. The Constitution was revised in 1966 and was approved by the Secretary of the Interior on June 2, 1967. In 1967, the Revised Constitution of American Samoa provided for an elected Legislature, or Fono, consisting of a Senate and a House of Representatives. However, it did not provide our people with the right to elect our own Governor and Lieutenant Governor and, at the time, American Samoa was the only remaining offshore area of the United States which did not have a popularly elected Governor and Lieutenant Governor.

On June 10, 1976, Congressman Phil Burton, Chairman of the House Subcommittee on Interior and Insular Affairs, took notice of American Samoa's situation and introduced a bill to make it possible for our Governor and Lieutenant Governor to be popularly elected rather than appointed by the Secretary of the Interior. As staff counsel to the Committee on Interior and Insular Affairs, Congressman Burton instructed me to draft this legislation which the U.S. House of Representatives overwhelmingly passed by a landslide vote of 377 to 1.

Instead of sending his bill to the Senate, Chairman Burton decided to consult further with the Secretary of the Interior, Rogers C.B. Morton, about American Samoa's unique political status as an unincorporated and unorganized territory which was and is unlike the organized territories of Guam and the Virgin Islands. As a result of their consultations, the two agreed that Secretary Morton would issue a Secretarial Order (No. 3009) authorizing the American Samoa Government to pass enabling legislation to provide for an elected Governor and the Lieutenant Governor.

Secretary's Order No. 3009 amended American Samoa's Constitution to specifically provide for an elected rather than an appointed Governor and Lieutenant Governor. Secretary's Order 3009 was also in keeping with the will of the majority of voters in American Samoa who voted in favor of electing their own Governor and Lieutenant Governor in a plebiscite that was held on August 31, 1976.

Furthermore, Chairman Phil Burton introduced legislation on August 2, 1978 to provide that the Territory of American Samoa be represented by a nonvoting Delegate to the U.S. House of Representatives. I was also tasked with drafting this legislation which became Public Law 95-556 and was made effective October 31, 1978.

I can assure you that in the case of the Delegate, American Samoa's federal election laws were patterned after those of the Virgin Islands and Guam. At the time, consideration was not given to whether or not majority or plurality voting should be established for American Samoa. Congress simply enacted legislation to provide American Samoa with representation in the U.S. Congress. We could not foresee some 25 years ago that American Samoa's men and women would serve in record numbers in the U.S. Armed Forces making it nearly impossible (given American Samoa's limited air and mail service) for active duty service members to participate in runoff elections held two weeks after general elections.

Today, we are keenly aware that this requirement to hold a runoff election 14 days after the general election is wrong. To right this wrong and after further consultations with our local leaders, I introduced H.R. 2010 which includes the suggestions of Governor Togiola. In a letter dated September 11, 2003, Governor Togiola informed me that he had reviewed the copy of H.R. 2010 that I sent to him and that he was satisfied that this bill will provide an immediate solution to address the concerns we have regarding the voting rights of our men and women in the military services. In a letter dated September 15, 2003, I thanked Governor Togiola for his support.

Although we have had some differences regarding this issue, Governor Togiola and I have always agreed that our military men and women should have the right to vote especially when they contribute almost a million dollars per year in taxes to our local government. I am pleased that Governor Togiola is now happy with this bill and I again commend him for supporting its passage in the House.

I also want to thank the President of the American Samoa Senate, the Honorable Lutu Tenari S. Fuimaono, for his support. In a letter dated October 28, 2003, President Fuimaono stated that he fully supports H.R. 2010.

Finally, I would like to say that H.R. 2010 is an historic bill. It is a bill that immediately restores the voting rights of our overseas voters and active duty military members. It is also a bill that makes clear in no uncertain terms that the American Samoa Legislature is vested with the authority it needs to establish primary elections for the office of the Delegate, if it so chooses.

H.R. 2010 also protects American Samoa's future in the U.S. Congress. Without H.R. 2010, future Delegates could miss out on key committee assignments as a result of delayed outcomes and run-off elections. Like Governor Togiola, I do not believe American Samoa's future should be weakened or disadvantaged and this is one more reason I appreciate his support of H.R. 2010.

Given the importance and urgency of this bill, I thank the members of the House Resources Committee, both Democrats and Republicans, who unanimously voted in favor of this bill. H.R. 2010 is the right thing to do and, as a Vietnam veteran, I will not rest until we fully guarantee that our active duty service members have the right to vote in federal elections held in American Samoa.

To alleviate any concerns that I will personally benefit from this legislation, I offered an amendment in the nature of a substitute for purposes of changing the effective date of this bill from January 2004 to January 2006. This amendment was unanimously supported at mark-up by the House Resources Committee and, as such, any change in law will not go into effect until the 2006 election cycle.

As I have repeatedly stated, H.R. 2010 in no way affects how the American Samoa Government chooses to elect its local leaders and, having made every change requested of me by our local leaders and after years of good-faith efforts on my part, I believe the time has come to do right by our overseas voters and men and women in the military. Our sons and daughters have fought and died to preserve our freedoms and I will do everything I can to protect their right to vote.

Again, Mr. Chairman, Vice Chairman, and Ranking Member of the Senate Energy Subcommittee on Public Lands and Forests, I thank you for holding this historic hearing on H.R. 2010 and I respectfully ask that you support its successful passage. Most of all, I thank the men and women from American Samoa who are serving on active duty at a time when our nation is at war. I wish our active duty service members the very best and I pray for their safe return.

Senator CRAIG. I have decided to forego an opening statement so that we can hear directly from the witnesses, any further than I want to make at this time. There is a briefing at 3 o'clock that we would hope we can move through this, that will allow us to attend.

With that, let me turn to my colleague Craig Thomas for any opening statement he would like to make.

STATEMENT OF HON. CRAIG THOMAS, U.S. SENATOR FROM WYOMING

Senator THOMAS. Thank you, Mr. Chairman.

I will not take the time either. I do want to join you, however, in welcoming the witnesses that we have here today. There are several interesting bills here, and I particularly want to welcome those who have come to comment on the bill that we have in Wyoming. We have three witnesses that have come from Wyoming and I want to welcome them particularly. Otherwise, I am ready to get on with it, sir.

Senator CRAIG. Very good.

Our first panel is made up, as I have mentioned, of David Cohen, Deputy Assistant Director for Insular Affairs, Department of the Interior, and Patrick Leahy, Associate Director for Geology, U.S. Geological Survey, Department of the Interior. David, we will start with you.

STATEMENT OF DAVID B. COHEN, DEPUTY ASSISTANT SECRETARY FOR INSULAR AFFAIRS, DEPARTMENT OF THE INTERIOR

Mr. COHEN. Thank you. Mr. Chairman and members of the committee, I am David Cohen, Deputy Assistant Secretary of the Interior. I am pleased to appear before you today to discuss H.R. 2010, the American Samoa delegate election bill, and H.R. 1189, the matching fund waiver bill.

First on H.R. 2010. Current law provides that the delegate to the House of Representatives from American Samoa shall be elected by majority vote. Under current practice, a runoff is conducted 2 weeks after the general election in November if no candidate receives a majority. The result is that members of the armed forces and other voters overseas may be disenfranchised in the runoff election due to transportation and communication difficulties that delay the return of runoff ballots in time for counting.

H.R. 2010 provides one method for attempting to ensure that the votes from overseas are counted. In the first instance, H.R. 2010 would substitute a plurality of votes for election of delegate for the currently required majority. If, however, the members of the Fono believe that a majority vote is preferable, H.R. 2010 would authorize the Fono to establish a primary election.

We note that the citizens of the various States are given the latitude to establish, through their elected representatives, the policies that govern elections. We recognize that in the special case of American Samoa this is a matter for Congress to decide. The wishes of the people of American Samoa, however, should be given the same deference that the wishes of the citizens of a State would be given under analogous circumstances.

We respectfully suggest, therefore, that the Congress note the positions of recognized leaders of the territory in order to discern the preferences of the people. If the Congress finds that this bill is a reasonable reflection of the wishes of the people of American Samoa, the administration would have no objection to its enactment.

To the extent that deficiencies in the current system may result in the disenfranchisement of absentee voters, including men and women in our armed forces, we would urge Congress to correct any such deficiencies as soon as possible.

Now on H.R. 1189, the matching funds waiver, the law originally provided for a permissive waiver of matching fund requirements at the discretion of the Department or agency. The law was amended in 1980 to provide a mandatory waiver of any matching funds under $100,000 applicable to American Samoa, Guam, the Virgin Islands, or the Northern Mariana Islands. The $100,000 waiver figure was later raised to $200,000. The 1980 amendment provided for a mandatory waiver of all matching requirements relating to grants by the Department of the Interior to a territory.

The intent of the sponsors of H.R. 1189 was both to clarify the waiver provision and to increase the amount of the waiver for each grant from a maximum of $200,000 to $500,000. The Department of the Interior supports H.R. 1189 if it is amended to reflect the following recommendations to improve and further simplify the statute:

First, we recommend that the mandatory waiver apply to formula grants but not to discretionary grants. The waiver makes sense for formula grants. Discretionary grants are another matter. By definition, a Department or agency need not give discretionary funds to a territory or a State. If the waiver is mandatory with respect to a discretionary grant, that fact alone may tip the decision of an administrator against a grant to a territory. In the end, the territories could lose more discretionary grant dollars than the dollars saved via a mandatory territorial waiver provision.

In the case of the Office of Insular Affairs, our grants are specifically tailored to each territory's needs. Any matching requirement in an Office of Insular Affairs grant is specifically designed with the territory or territories in mind. We may be trying to spread limited funds to all the territories rather than just one or two, or we may believe that we need evidence of a territory's true commitment to the purpose of a grant.

The Department of the Interior, therefore, supports the application of the $500,000 waiver of matching funds in a mandatory fashion to formula grants, but not to discretionary grants.

A second concern involves subsection (b) of section 1 of H.R. 1189. Subsection (b) would aid clarification of the statute by deleting most of the material added by three amendments. Left in effect would be a clause that singles out the Department of the Interior for waiver of all matching funds, not just those under $500,000. Consistent with the views I expressed earlier, the administration urges that this clause be repealed.

Our last concern is with section 2 of H.R. 1189, which calls for a study of the implementation of the new waiver provisions contained in the bill. Such a study would likely yield little information of value. The administration therefore recommends that the study provision be stricken from the bill.

That concludes my statement. I would be happy to respond to any questions.

[The prepared statement of Mr. Cohen follows:]

PREPARED STATEMENT OF DAVID B. COHEN, DEPUTY ASSISTANT SECRETARY FOR INSULAR AFFAIRS, DEPARTMENT OF THE INTERIOR

Mr. Chairman and Members of the Committee, I am David Cohen, Deputy Assistant Secretary of the Interior for Insular Affairs. I am pleased to appear before you today to discuss H.R. 2010, the American Samoa Delegate plurality vote, and H.R. 1189, the matching funds waiver bill.

H.R. 2010—AMERICAN SAMOA DELEGATE PLURALITY VOTE

Current law provides that the Delegate to the House of Representatives from American Samoa shall be elected by majority vote. Under current practice, a runoff is conducted two weeks after the general election in November of each even numbered year if no candidate for Delegate receives a majority in the general election. The result is that members of the armed services and other voters overseas may be disenfranchised in the runoff election due to transportation and communication difficulties that delay the return of runoff ballots in time for counting.

H.R. 2010 would establish a flexible system for ensuring that the votes of American Samoans, who are overseas, are counted. In the first instance, H.R. 2010 would substitute a plurality of votes for election of Delegate for the currently required majority. If, however, the members of the American Samoa Fono, or legislature, believe that a majority vote is preferable, H.R. 2010 would authorize the Fono to establish a primary election prior to the November balloting.

The issues raised in this bill are clearly within Congress's authority to determine, given American Samoa's special status as a U.S. territory. However, we note that,

subject to certain limitations, the citizens of the various states are generally given the latitude to establish, through their elected representatives, the policies that govern elections for Federal officials who will represent the people of those states.

We recognize that in the special case of American Samoa, this is a matter for Congress to decide. The wishes of the people of American Samoa, however, should be given the same deference that the wishes of the citizens of a state would be given under analogous circumstances. We respectfully suggest, therefore, that the Congress note the positions of recognized leaders of the territory, in order to discern the preferences of the people of the American Samoa. If the Congress finds that this bill is a reasonable reflection of the wishes of the people of American Samoa, the Administration would have no objection to its enactment. We would like to stress, however, that to the extent that deficiencies in the current system may result in the disenfranchisement of absentee voters, including the many men and women from American Samoa who serve honorably in our armed forces, we would urge Congress to correct any such deficiencies as soon as possible.

H.R. 1189—MATCHING FUNDS WAIVER

Section 501 of Public Law 95-134 was originally enacted to allow the consolidation of Federal programs within a single department or agency into a single grant for a territory. The law also provided for a permissive waiver of matching fund requirements at the discretion of the department or agency. The law was amended in 1980 to provide a mandatory waiver of "any matching funds under $100,000 (including in-kind contributions) required by law to be provided by American Samoa, Guam, the Virgin Islands, or the Northern Mariana Islands." The $100,000 waiver figure was later raised to $200,000. The 1980 amendment also provided for a mandatory waiver of all matching requirements relating to grants by the Department of the Interior to a territory.

Over the years, section 501 and its amendments have been the subject of confusion and various interpretations from department to department. The intent of the sponsors of H.R. 1189 was both to clarify the waiver provision and to increase the amount of the waiver for each grant from a maximum of $200,000 to $500,000. In addition, the bill would no longer limit the matching waiver to matching that was required "by law." Administratively imposed matching would also be waived.

The Administration supports 1189 if it is amended to reflect the following recommendations to improve and further simplify the statute.

First, we recommend that the mandatory waiver apply to formula grants, but not to discretionary grants. Formula grants apply across the board to all fifty states and often to the U.S. territories. They are tailored for use by states with conditions and limitations imposed with the states in mind. Territories are often included as an afterthought. Even the smallest and poorest state has many more resources at its disposal for dealing with grants than do the territories. The waiver, therefore, makes sense for formula grants.

Discretionary grants are another matter. By definition, a department or agency need not give discretionary funds to a territory or a state. The matching requirement helps to ensure that the grant objective is a priority for the territory seeking the grant. Additionally, the matching requirement makes Federal dollars available for use by the maximum number of recipients. If the waiver is mandatory with respect to a discretionary grant, that fact alone may tip a decision of an administrator against a grant to a territory. In the end, the territories could lose more discretionary grant dollars than the dollars saved via a mandatory territorial waiver provision.

In the case of the Office of Insular Affairs (OIA), our grants are specifically tailored to each territory's needs. Any matching requirement in an OIA grant is specifically designed with the territory, or territories, in mind. We may be trying to spread limited funds to all the territories rather than just one or two. Or, we may believe that we need evidence of a territory's true commitment to the purpose of a grant in order to determine that the grant funds will not be better spent for another purpose or in another territory.

The Administration, therefore, supports the application of the $500,000 waiver of matching funds in mandatory fashion to formula grants, but not to discretionary grants. Each grant-giving agency should have the flexibility to make its own determination of whether or not to waive matching fund requirements for discretionary grants. The logic in favor of providing waivers for formula grant matching fund requirements is that those matching formulas do not take the unique circumstances of the territories into account. This logic emphatically does not apply to grants issued by OIA, which are designed with the special needs of the territories specifically in mind.

A second concern involves subsection (b) of section 1 of H.R. 1189. Subsection (b) would aid clarification of the statute by deleting most of the material added by three amendments to the original statute (section 501). Left in effect would be a clause that singles out the Department of the Interior for waiver of all matching funds, not just those under $500,000. Consistent with the views I expressed earlier, the Administration urges that this clause be repealed.

Our last concern is with section 2 of H.R. 1189, which calls for a study of the implementation of the new waiver provisions contained in the bill. Such a study would likely yield little information of value. The Administration, therefore, recommends that the study provision be stricken from the bill. If a problem should arise with regard to the newly enacted provisions, I expect that it would be brought to our attention so that remedial action can be taken.

Senator CRAIG. Thank you, David, very much.

Before we turn to you, Mr. Leahy, let me recognize our colleague from Hawaii, Senator Akaka, for any opening statement he would like to make.

STATEMENT OF HON. DANIEL K. AKAKA, U.S. SENATOR FROM HAWAII

Senator AKAKA. Thank you very much, Mr. Chairman. I thank you for this opportunity. I want to thank you in particular for your willingness to include these two bills on the agenda and the opportunity to consider them before the session ends.

The first territory bill, H.R. 1189, would increase the waiver, as was mentioned, that the territorial governments have from paying local matching requirements on Federal grants. The second, H.R. 2010, would provide for the election of the delegate from American Samoa by a plurality vote or, if enacted by local law, a majority vote held after a primary election.

Both of these bills were introduced by my good friend Congressman Eni Faleomavaega, the senior delegate in the House, and both bills have passed the House. Unfortunately, Mr. Chairman, the delegate could not testify himself at today's hearing because this Friday July 16 is the centennial anniversary of the cession of Manoa Islands of American Samoa to the United States. The delegate has joined the traditional chiefs and leaders of American Samoa in Manoa and we send them our best wishes as they celebrate 100 years since the Stars and Stripes was first raised above the islands.

In addition to these territories bills, the subcommittee will hear testimony on S. 2353, a bill to reauthorize and amend the National Geologic Mapping Act of 1992, and on S. 2317, a bill relating to the royalty rate for soda ash. The National Cooperative Geologic Mapping Program has been an extremely successful partnership between the States and the U.S. Geological Survey. The program was first authorized in 1992. S. 2353 would provide for its continuation.

S. 2317 would reduce the royalties imposed on soda ash produced from Federal lands. I understand that this bill is of particular importance to Wyoming.

I welcome all of our witnesses and look forward to hearing from them this afternoon.

Mr. Chairman, I know you are looking at the time and I want to tell you that I have questions, but I would be willing to submit it to the record. Thank you.

Senator CRAIG. Well, Senator, thank you very much. We appreciate that opening statement and your involvement in these issues.

Now let me turn to Patrick Leahy, Associate Director for Geology, U.S. Geological Survey, Department of the Interior. Welcome before the committee.

STATEMENT OF P. PATRICK LEAHY, ASSOCIATE DIRECTOR FOR GEOLOGY, U.S. GEOLOGICAL SURVEY, DEPARTMENT OF THE INTERIOR

Mr. LEAHY. Thank you, Mr. Chairman. I am pleased to be here today to express the administration's support for S. 2353, a bill that would reauthorize the National Geological Map of 1992. Throughout the USGS's 125-year history, geologic mapping has been one of our core capabilities. For State geologic surveys, some founded even earlier than the USGS, geologic mapping has been an integral part of their history as well.

A map is the best and most understandable way of portraying a great variety of geologic information. The diversity of information depicted on geologic maps includes distribution of mineral, energy, and groundwater resources, active faults whose movements may cause devastating earthquakes, and the distribution of surficial deposits that form the substrate for wetlands and other ecologically diverse settings.

Equally important, as my statement notes, such mapping has yielded dividends that far exceed the original goals and costs of producing the map. When the 102nd Congress passed the National Geologic Mapping Act, it recognized that the U.S. Geological Survey and the State surveys needed a coordinated program to prioritize the geologic mapping requirements of the Nation and to increase the production of geologic maps. Geologic maps has always been and continues to be a labor-intensive research endeavor that involves field work to collect information, laboratory work to better understand the composition, properties, and age of materials, and the use of remote sensing to better extrapolate what has been learned in one location to other locations.

I can confidently tell you today that the National Cooperative Geologic Mapping program has been extremely effective over the past 12 years doing exactly what it was designed to do, that is increase the number of geologic maps for the Nation. During the 12 years since the passage of the act, the USGS and the State surveys have produced well over 7,500 new geologic maps. In 1993, the first year after the initial passage of the act, 34 State geologic surveys and the USGS participated in the program. In 2004 the number of State surveys participating has grown to 47. In the first year of the act, $1.2 million was distributed to the state surveys. Since 2001 over $6.5 million per year in Federal funds have been matched annually by state dollars.

Cumulatively, over the 12 years of the program approximately $50 million has been distributed to 48 States and these Federal dollars were matched by $50 million in State dollars.

In 1995 the education component of the program, so-called "EDMAP," was implemented to train the next generation of geologic mappers. To date over 550 university students from more than 120 universities across the Nation have benefited from these grants.

Currently the USGS is in close coordination and agreement with the Association of American State Geologists on the reauthorization, on this reauthorization bill, and associated mapping issues. During the past year we have met to discuss the act and we feel that the National Geologic Map continues to serve the Nation very well and needs little revision.

Mr. Chairman, in concluding my remarks I would like to state that the National Geologic Mapping Act of 1992 and its subsequent reauthorizations have been instrumental in helping focus the attention on the Nation's need for a new generation of high quality geologic maps.

Thank you, Mr. Chairman, for the opportunity to express the views of the administration on this bill and I would be happy to respond to any questions you may have.

[The prepared statement of Mr. Leahy follows:]

PREPARED STATEMENT OF P. PATRICK LEAHY, ASSOCIATE DIRECTOR FOR GEOLOGY, U.S. GEOLOGICAL SURVEY, DEPARTMENT OF THE INTERIOR, ON S. 2353

Mr. Chairman, I am pleased to be here today to express the Administration's views on S. 2353, a bill that would reauthorize the National Geologic. Mapping Act of 1992. The Administration supports the reauthorization, but is concerned that the funding level authorized is not consistent with current appropriations or the President's 2005 budget request. Any additional funding for the National Cooperative Geologic Mapping program will have to compete with other priorities.

This year marks a significant milestone in the history of the U.S. Geological Survey (USGS). On March 3, 2004, we celebrated the 125th anniversary of the creation of the USGS by the Organic Act enacted by the 45th Congress. In this anniversary year, we will celebrate the traditions that have shaped us and the mission that has guided us. We will celebrate the science that has impacted every facet of our work and the people who have made that science great. Finally, we celebrate the pivotal technology that will lead us into the future.

Throughout USGS history, geologic mapping has been one of our core capabilities. For state geological surveys, some founded even earlier than the USGS, geologic mapping has been an integral part of their history as well. A map is the best and most understandable way of portraying a great variety of geologic information. The diversity of information produced by a geological map includes: the distribution of mineral, energy and ground water resources; presently active faults whose movements may cause devastating earthquakes; and the distribution of surficial deposits that form the substrate for wetlands and other ecologically diverse settings. Equally important, as my statement notes, such mapping has yielded dividends far beyond its original intended goals.

When the 102nd Congress passed the National Geologic Mapping Act, it recognized that the USGS and the State geological surveys needed a coordinated program to prioritize the geologic mapping requirements of the Nation, and to increase the production of geologic maps. Geologic mapping has always been, and continues to be, a labor intensive exercise that involves field work to collect information; laboratory work to better understand the composition, properties and age of the materials collected; and the use of remote sensing to better extrapolate what has been learned in one location to a larger area. All of these aspects of geologic mapping cost money and require skilled practitioners. It becomes critically important for the USGS and the fifty State geological surveys to husband and leverage their resources. I can confidently tell you today that the National Cooperative Geologic Mapping Program has been extremely effective over the past 12 years doing exactly that. I would like to share some milestones of progress with you.

During the 12 years since passage of the Act, the USGS and the State geological surveys have produced well over 7,500 new geologic maps. In 2003 alone, over 450 geologic maps and reports were published. Data in these maps cover a combined area of 125,000 square miles. The high priority areas selected to map were determined by stakeholder groups, land management agencies, and state mapping advisory committees.

During the last 12 years geologic maps have been completed in National Parks, National Forests, and lands managed by BLM and other land-management agencies. To give one timely example, geologic maps of all four major National Forests

in southern California were completed in the past year. These maps were put to good use by the Burned Area Emergency Response teams (BAER) that responded to the fires that devastated large areas between Los Angeles and San Diego. They are continuing to be used during the winter rainy season to predict where major debris flows, and or mud slides, might endanger the local communities.

In 1993, the first year after initial passage of the Act, 34 state geological surveys and the USGS participated in this program to produce new geologic maps. In 2004 the number of State geological surveys participating has grown to 47. In that first year, $1.2 million was distributed to the state surveys. Since 2001, over $6.5 million in federal funds has been matched annually by state survey dollars. Cumulatively, over the 12 years of the program, approximately $50 million has been distributed to 48 states, and these federal dollars were matched by $50 million in state dollars.

In 1995 the education component of the program, EDMAP, was implemented to train the next generation of geologic mappers. This training component fills a gap generally not addressed through National Science Foundation grants and other mechanisms. In the first year of the program, fewer than 40 students received funds to do field work and learn how to construct a geologic map. Currently, over 550 university students from 120 universities across the Nation have received training. Initially, EDMAP only supported graduate students. In 2000, the decision was made to expand support to undergraduate students in the hope that this would positively influence their decision to continue in the Earth Sciences. We are presently in the process of surveying all former EDMAP recipients. I can report, from the information received to date, that this training program has been successful. Of those surveyed candidates that have responded, 100 percent of the Masters and Ph.D. candidates and 82 percent of the B.S. candidates have all continued in geoscience. These figures are above the national averages and attest to the strength of EDMAP.

In 1999 two economists from the Illinois State Geological Survey teamed up with the Kentucky Geological Survey to undertake a rigorous analysis of the economic benefits of detailed geologic mapping to Kentucky. Two conclusions from this study are particularly worth mentioning. First, the total value of the geologic mapping program, at the minimum, is at least 25 times the cost of the program. Second, even though the bedrock geologic maps produced in Kentucky were originally created primarily for the coal industry, during the past 20 years these maps have been used by a wide array of users for everything from exploring for groundwater resources to planning cities to finding minerals.

Currently, USGS is in close coordination and agreement with the Association of American State Geologists (AASG) on this reauthorization bill and on associated geologic mapping issues. During the past year we have met to discuss the Act (P.L. 106-148) frequently, and while we recommend a few changes which I will discuss in a moment, we feel that the National Geologic Mapping Act continues to serve the Nation very well and needs little revision. The Act was also reviewed by the Federal Advisory Committee to the National Cooperative Geologic Mapping Program last month, and my comments today incorporate their conclusions as well.

The principal changes in this reauthorization bill are: First, an increase from 48 percent to 50 percent of new funds, if appropriated, that will be made available for matching-funds grants to State geological surveys, second, an increase from 2 percent to 4 percent of new funds for matching-funds grants to Universities to train the next generation of geologic mappers, and third, keeping future authorization levels equal to the 2005 level in the present Act. These changes taken together will help ensure that all three parts of this critical program—the federal, the state, and the university components—will have the potential to respond to the growing national need for geologic maps and the information they provide.

With the development of digital mapping technology and the Internet, geologic maps have become the most effective means of providing decision-makers and their geotechnical consultants with information that they need. All geologic maps being produced today under the auspices of the National Cooperative Geologic Mapping Program are digital, and each year more and more of these maps are being provided on the Internet. However, due to the labor intensive nature of producing geologic maps, a large percentage of the Nation, as noted in H.R. 4010, has yet to be mapped. We are encouraged by this legislation to continue in this critical effort. With the development of digital mapping technology, geologic mapping is experiencing a renaissance in its use and applicability. We anticipate increased demand for digital geologic maps in the future. During the past 12 years the USGS and the state geological surveys have worked together to implement the National Geologic Map Database, as called for in the Act. While this database provides a variety of tools and services, I would like to highlight just one—a catalog that provides information on almost every geologic map ever produced in the United States, and how

anyone can obtain copies of the maps. This invaluable information spans 60,000 products.

Mr. Chairman, in concluding my remarks, I would like to state that the National Geologic Mapping Act of 1992, and its subsequent reauthorizations, have been instrumental in helping focus attention on the Nation's need for a new generation of high-quality geologic maps. The Administration supports the reauthorization, but is concerned that the funding level authorized is not consistent with current appropriations or the President's 2005 budget request. Any additional funding for the National Cooperative Geologic mapping program will have to compete with other priorities.

Thank you, Mr. Chairman, for the opportunity to express the views of the Administration on the National Geologic Mapping Act. I would be happy to respond to any questions you may have.

Senator CRAIG. Well, thank you very much, Pat.

Let me start with you with a question. What are the consequences of not engaging in geologic mapping efforts?

Mr. LEAHY. The consequences—decisions are made and, frankly, they will be made with or without a geologic map, but they will be uninformed decisions. Because they are uninformed, there will be expensive consequences in terms of errors. The maps themselves are a vehicle to make informed decisions that will reduce the cost of bad decisionmaking.

Senator CRAIG. Such as building or not building on or near a fault line.

Mr. LEAHY. Exactly. Or putting a landfill in the wrong spot so it destroys an aquifer system.

Senator CRAIG. Well, we will work hard to see if we cannot get this reauthorized. I think most Senators believe it makes good sense to know what is around us, about us, and under us, and that is what this is all about.

David, approximately what is the amount of annual grants received by the U.S. territories from the Federal Government on an annualized basis? Do you have that figure?

Mr. COHEN. Sir, to the best of our ability to gather this—and the information is not always readily available—we have information from fiscal year 2002, and if I can just go through each of the insular areas and then I guess we could add them up. According to our information, and this is from the U.S. Census Bureau Consolidated Federal Funds Report for Fiscal Year 2002, American Samoa received approximately $93.4 million, Guam received approximately $250.6 million, the Northern Marianas received approximately $66.1 million, and the U.S. Virgin Islands received approximately $266.4 million.

This is not broken down by whether these are formula grants or discretionary grants and little other information is given.

Senator CRAIG. With that current level of participation, how would 1182 change—1189 change that?

Mr. COHEN. Mr. Chairman, it is difficult to determine. H.R. 1189 is drafted to apply to all grants, not just formula grants. Having said that, we would have to research, and we would be happy to attempt to do this for you, how much of those grants are subject to matching requirements in order to give you some sort of dollar value estimate of the effect of H.R. 1189.

Senator CRAIG. Well, we may well work to try to find out what the fiscal impact of that would be.

Do we know if we have an OMB analysis of it or CBO? We do have a CBO score.

Mr. COHEN. I would suggest, Mr. Chairman, that the fiscal impact would be indirect because it would not necessarily affect the amount of grant funds that go out to the territories. It would affect the amount, of course, that the territories would be required to put up.

Senator CRAIG. Right. But oftentimes when there is less required to put up there is a tendency to send more or there is an encouragement of doing so because there is not the need of requirement to match, and so there is a fiscal impact usually. I understand CBO scores it at about $2 million.

Has DOI attempted to ascertain the local support for S. 2010? Has there been any effort to make a determination of what local support is for this change in the election, for this legislation that would allow change in the election process?

Mr. COHEN. Mr. Chairman, it has been difficult to do that on a scientific basis. The Congress, which is a legislative body, might be in a better position to do that. We do know views expressed by certain important leaders in American Samoa society and I believe you have some of those for the record.

Senator CRAIG. We do.

Mr. COHEN. To the extent that you do, I guess rather than our trying to be a second-hand interpreter of that, we would encourage you to rely on those statements.

Senator CRAIG. I appreciate that.

Do either of my colleagues have questions of these gentlemen?

Senator AKAKA. Mr. Chairman.

Senator CRAIG. Yes.

Senator AKAKA. I do have questions, but I will submit them for the record.

Senator CRAIG. All right.

Senator THOMAS. Mr. Chairman, I have one.

Mr. Leahy, this reauthorization continues the program and so on. Who actually does the mapping?

Mr. LEAHY. Well, three components of the program: FEDMAP, STATEMAP, and EDMAP. The FEDMAP is generally done by staff of the U.S. Geological Survey. The STATEMAP component is done by the members of the State surveys. And EDMAP are students under the mentorship of a professor.

Senator THOMAS. Is there any private activities? Is there any contracting?

Mr. LEAHY. There is some contracting, but generally it is for support type activities, for example printing of maps, those sorts of things, perhaps some specialized analysis that we may lack the capability, or are so common that it is easy to contract out.

Senator THOMAS. There are some circumstances in which the commercial mappers are better equipped to do some things than others.

Mr. LEAHY. The commercial sector, there is not a conflict with the commercial sector. In fact, most site specific mapping is done by the commercial sector, consulting firms. They are very dependent on the maps that the State and the Federal Government

produce because it allows them a context in which to put their very detailed mapping in.

Senator THOMAS. I just urge the use of the private sector whenever that is efficient and possible. Thank you.

Senator CRAIG. Well, gentlemen, thank you very much.

Yes?

Senator AKAKA. May I make a comment?

Senator CRAIG. Please do, Senator Akaka.

Senator AKAKA. Thank you so much.

As a person from the Pacific, I want to make a comment about H.R. 2010. I know that Secretary Cohen knows this very well. This bill that we are considering will resolve a longstanding problem of electing the delegate from American Samoa. This bill will provide for election of the delegate by plurality or, if the local government wants, by majority vote following a primary election. This would solve a problem made worse by the current conflict in the Middle East, where many Samoans have gone, and this will help in absentee voting as well if this is changed.

So I speak out to try to move as quickly as we can on this. Thank you very much.

Senator CRAIG. Well, Senator, thank you very much.

Gentlemen, again thank you very much for your testimony. As we work through this legislation, I am sure we will be consulting with you on the recommendations you have made. Thank you.

Now let me ask our second panel to come forward if they would, please. This panel is going to cover largely two bills and two topics, so I am going to divide it so that we can deal with U.S. geological mapping first and then we will go to my colleague from Wyoming and deal with soda ash. So, having said that, let me introduce Robert G. Marvinney.

Dr. MARVINNEY. "MAR-vinney."

Senator CRAIG. "MAR-vinney." President, American Association of State Geologists, State geologist, Maine Geologic Survey of Augusta, Maine; and Dr. James C. Cobb, State geologist, Kentucky Geological Survey, University of Kentucky, Lexington, Kentucky.

Mr. Marvinney.

STATEMENT OF ROBERT G. MARVINNEY, Ph.D., PRESIDENT, AMERICAN ASSOCIATION OF STATE GEOLOGISTS, DIRECTOR AND STATE GEOLOGIST, MAINE GEOLOGICAL SURVEY

Dr. MARVINNEY. Mr. Chairman and members of the committee: Thank you very much for this opportunity. I am Robert Marvinney, Maine State geologist and the current president of the Association of American State Geologists, and I am speaking in support of S. 2353. The Association of American State Geologists, the AASG, represents the heads of the geological surveys in the 50 States plus Puerto Rico and the Association was founded in 1908 and seeks to advance the practical application of earth sciences in the United States.

I wish to emphasize the effectiveness and success of the National Cooperative Geologic Mapping Program from the States' perspective. In terms of program management, having been involved with the program for more than 9 years, I am continually reassured by the sound administration of the program by the U.S. Geological

Survey. Being a State geologist, I do not offer those comments lightly, and neither does the AASG, which insists that the USGS facilitate making this program a success.

This is accomplished in a number of ways, in part by AASG representation on the program's Federal advisory committee. Additionally, the AASG has membership on the panels that review proposals to the three components of the program: the FEDMAP program for Federal projects, STATEMAP program for State projects, and the EDMAP programs for the university projects.

Also, each State is required to have an advisory committee made up of users of geologic maps. In my State, for example, my advisory committee consists of representatives from various State Departments, environmental protection, transportation, the State's drinking water program, representatives from Maine's academic institutions, and consulting geologists and engineers, commercial water bottlers, and the forest products industry.

So as users of geologic maps, each of these advisory committees offers objective and constructive input to each geological survey as it develops its mapping plan. So the program is user-driven. We take input from these committees very seriously.

The STATEMAP awards to the States are awarded through a competitive process. We have a review panel which carefully evaluates the STATEMAP proposals and the process by which the funding levels are determined is a rigorous, objective, and fair process. By no means does a State simply get a grant just by providing, submitting an application. These are reviewed very carefully through numerous criteria, probably the most important of which is did this particular State provide the products that they said they would from the previous year's mapping effort. I know personally if a State does not complete their maps then they do not get additional funding in the next year.

I cannot overemphasize the importance of the matching requirement of this program. State and Federal dollars are matched one for one, so scarce funds are leveraged on both sides.

In terms of the accomplishments, we heard from Mr. Leahy that over 7,500 new geologic maps have been produced through this program, and still we have only 25 percent of the State mapped at a level that is necessary for applications to energy, mineral and water resources, environmental protection, hazards, as well as homeland security.

An example from my State. The STATEMAP mapping effort directly underpins my work in defining groundwater aquifers. The numerous sand and gravel deposits left by the last glaciation are the most important water resources in the State and with 50 percent of the citizens drawing their water supply from groundwater, aquifer maps made possible through STATEMAP are absolutely critical to understanding the distribution of water resources and their careful stewardship.

These maps are used by municipalities and commercial water bottlers in their searches for adequate water sources.

So in summary, I want to just conclude that the National Geologic Mapping Program is an excellent Federal and State partnership with proven productivity and societal relevance. Thank you very much.

[The prepared statement of Mr. Marvinney follows:]

PREPARED STATEMENT OF ROBERT G. MARVINNEY, PH.D., PRESIDENT, AMERICAN ASSOCIATION OF STATE GEOLOGISTS, DIRECTOR AND STATE GEOLOGIST, MAINE GEOLOGICAL SURVEY, ON S. 2353

I am writing in support of the National Geologic Mapping Reauthorization Act of 2004.

I have been Maine State geologist for the past nine years and am also the current President of the Association of American State Geologists (AASG), an organization representing the State geologists of the 50 United States and Puerto Rico. Founded in 1908, the AASG seeks to advance the science and practical application of geology and related earth sciences in the United States and its territories, commonwealths, and possessions. The AASG also serves to improve the overall effectiveness of State Geological Surveys through the interchange of ideas and techniques especially as they relate to the collection, organization, preservation, and dissemination of data and information essential for the wise stewardship of energy, mineral, and water resources within each of the States.

I wish to emphasize the effectiveness of the National Cooperative Geologic Mapping Program from the State's perspective. I focus on three important aspects of the current NCGMP, and hope to demonstrate to you the success of the program and thereby encourage the passage of the National Geologic Mapping Reauthorization Act of 2004.

The National Cooperative Geologic Mapping Program was created with the passage of the National Geologic Mapping Act of 1992. Since then, the Act has been reauthorized in 1997 and 1999, each time by unanimous consent of Congress and with strong bipartisan support, attesting to the success of the program. Since 1993, the NCGMP has supported new mapping in 49 of the 50 States plus Puerto Rico.

PROGRAM MANAGEMENT

Having been involved with the NCGMP for more than nine years, I am continually reassured of the sound administration of the Program by the U.S. Geological Survey. I do not offer that comment lightly, for State geologists, through the AASG, insist that the USGS facilitate making this cooperative program a success. This is accomplished by a number of means, the most prominent of which is through AASG representation on the NCGMP's Federal Advisory Committee. The AASG believes this committee provides an important forum for the State government and private sectors, academia, and other Federal agencies to assist in evaluating the progress of the Federal, State, and university geologic mapping activities undertaken to fulfill the National Geologic Mapping Act of 1992. Additionally, the AASG has membership on the panels that review proposals to the three components of the program: FEDMAP for federal projects; STATEMAP for state projects; and EDMAP for university projects.

Within each State, and as a requirement of the STATEMAP Program, there is an advisory committee composed of what we often refer to as end-users, individuals who utilize geologic maps to address issues of importance in their respective professions or areas of expertise. Typically these committees are composed of individuals from State, county, municipal, and local Federal government offices; academicians and teachers; researchers; petroleum and mineral explorationists; environmental consultants; and those in the private sector for whom earth science plays an important role in their businesses. In Maine, for example, the Geologic Mapping Advisory Committee consists of geologists from the Departments of Environmental Protection and Transportation, representatives from the state's Drinking Water Program, representatives from Maine's academic institutions, consulting geologists and engineers, commercial water bottlers, and the forest products industry.

The process of geological mapping is an evolving task. As society's needs have changed over the decades, so have the information requirements of geologic maps. The State Geological Surveys are sensitive to these information needs, and they are continuing to conduct geological mapping with modern technologies to create maps that will aid in addressing societal issues.

Members of each of the State's geological mapping advisory committees are individuals who, as end-users, are in a position to offer objective and constructive input to each State Geological Survey as it develops its mapping plans. The advisory committee plays an important role in providing grassroots guidance and assisting with setting mapping priorities with each successive year of the program. Hence, the STATEMAP component of NCGMP is user-driven and locally-controlled to address customer's needs.

STATEMAP awards are granted to the States annually, following a truly competitive process. A STATEMAP Review Panel carefully evaluates STATEMAP proposals submitted to the USGS. The fairness of the process is tantamount, as the USGS and the AASG share equally in determining award levels for the forthcoming year's mapping season and map production efforts. Representatives of the AASG on the Review Panel are elected by their fellow State geologists, and service on the Review Panel is limited to three years, on a rotating basis. The process by which funding levels are determined is rigorous, objective, and reassuringly fair, as any peer-review process should be. By no means does any State receive a STATEMAP grant automatically by merely applying for one. Each proposal is considered in accordance with numerous criteria, the most important of which require annual productivity of high quality digital geologic maps.

In addition, I cannot overemphasize the importance of the matching requirement in this Federal/State partnership. Scarce funds are leveraged on both sides, and the end result is a stretching of resources to benefit both the Nation as well as the respective States.

The National Geologic Mapping Act as originally authorized emphasizes partnerships between State and the Federal governments. I am pleased to relate to you that the USGS administrators of the STATEMAP Program are dedicated professionals, who are intent on managing what is truly an active partnership between the USGS and the state geological surveys. Toward that end, the Program administrators are open and responsive to suggestions from State geologists and from State mapping advisory committees to improve upon and enhance an already well-run program. Moreover, the STATEMAP Review Panelists meet at length before and immediately after the annual review process to evaluate the review procedures themselves and make adjustments in the successive year's criteria. In being receptive and responsive, the USGS administrators have been able to create and evolve a program that possesses not only relevancy and fairness, but one to which all parties are overwhelmingly supportive.

ACCOMPLISHMENTS

The USGS testimony has mentioned the success of the NCGMP in terms of the number of maps created: the combined FEDMAP, STATEMAP, and EDMAP efforts have produced more than 7,500 new geologic maps and modern, digital versions of earlier detailed maps. Yet, with this amazing level of productivity over the past twelve years, still only approximately 25% of the Nation is mapped at a scale that is adequate for most applications to energy, mineral, and water resources, environmental protection, risk reduction from natural hazards, as well as addressing issues of homeland security.

As an example of the importance and societal relevancy of geologic mapping in my home State of Maine, STATEMAP products serve as the underpinning for groundwater aquifer maps. The last glaciation in Maine left behind numerous and complex deposits of sand and gravel that are among the best water supplies in the state. With fifty percent of the citizens of Maine using groundwater for their domestic water supply, aquifer maps made possible through STATEMAP geologic mapping are fundamental to understanding the distribution of these water resources and ensuring their careful stewardship. Municipalities and commercial water bottlers both use aquifer maps in their searches for adequate water sources. STATEMAP products are also vital to our efforts to understand the distribution of arsenic in bedrock groundwater. Nearly 10% of private wells in Maine have arsenic in higher than acceptable concentrations, most of it naturally leaching from the bedrock. My agency works with the Maine Bureau of Health to identify bedrock units and conditions that contribute to these high arsenic levels. Careful mapping of the bedrock geology is required to understand the distribution of this problem in order to focus assistance programs.

GEOLOGIC MAPPING DATABASE AND DIGITAL MAPPING

The AASG has worked very closely with staff of the USGS in establishing and constructing the National Geologic Map Database as required by the National Geologic Mapping Act of 1992. The database, available at the USGS Website, continues to grow annually, and it has proven to be a valuable information resource, a central location for ready access to over 60,000 maps.

Additionally, digital mapping specialists of the AASG and the USGS cooperate closely with others from government, private industry, and academia who are involved with developing digital mapping protocols and attending to the National Spatial Digital Infrastructure standards established for metadata. Because of this col-

lective effort, the standards have been widely accepted by those who compile digital geologic maps.

In the true spirit of a partnership the AASG and USGS co-sponsor and organize an annual digital mapping techniques workshop. Now in its eighth year, this event brings together digital mapping specialists to exchange ideas and techniques essential for the efficient and economical construction of digital geologic maps. The proceedings of the workshop are published each year by the USGS and available over the Internet, so that more than those who attended the meetings can benefit from this growth in knowledge.

In conclusion, the NCGMP is an excellent Federal / State partnership with proven productivity and societal relevance. I strongly urge your positive consideration for the National Geologic Mapping Reauthorization Act of 2004.

Thank you for this opportunity to provide written testimony.

Senator CRAIG. Well, thank you very much.

Now let me turn to Dr. Cobb.

STATEMENT OF JAMES C. COBB, Ph.D., STATE GEOLOGIST AND DIRECTOR, KENTUCKY GEOLOGICAL SURVEY, UNIVERSITY OF KENTUCKY GEOLOGICAL SURVEY, LEXINGTON, KY

Dr. COBB. Good afternoon, Mr. Chairman and members of the subcommittee. I am Jim Cobb, State geologist of Kentucky, and I am here because Kentucky is in a very unique position. We are the only State that is completely mapped geologically. So I am here to testify as to what geologic mapping has done in our State.

Our geologic maps have been in circulation for 25 years, so this pilot study, if you will, began 25 years ago, and we have sold more than 200,000 copies of our geologic maps. The USGS, in partnership with Kentucky back when Kentucky needed economic development, we needed a stimulant to help our mineral production, the USGS in partnership with Kentucky set out to do a very bold thing that had never been done. We mapped together over a 20-year period all 707 quadrangles in Kentucky. It has not been matched in any other State, and so we are in a perfect position to sort of tell you what this has done for at least one State.

Doing an independent economic analysis of this mapping has shown that the value of these maps over these years equals somewhere in the neighborhood of $3.3 billion. In 1999 dollars when we did the analysis, the cost of the program was $90 million. The $90 million has produced for us in Kentucky $3.3 billion, 39 times the cost. This is just amazing. So obviously we think that the Nation, the whole Nation, not just Kentucky, needs to be mapped.

Geologic maps are kind of interesting. They are like topographic maps and other kinds of public goods. Geologic maps are considered a public good, just like a highway or a reservoir or a dam or a landfill. In fact, geologic maps help us build better roads, better dams, better reservoirs, better landfills, and they help us do it more safely, more environmentally sound, and more economically.

In my professional experience over 30 years of doing this, geologic maps are both valuable and democratic. They are extraordinarily valuable because they help us produce our minerals, safeguard our environment, safeguard our water, which is extremely important, and encourage the development of these vital fuels and minerals that we all require. It is democratic because it helps everybody. Even if you have never bought one of these maps—and I have to say most people have not. But even if you have never bought one of these maps, it helps in developing our industrial

parks. Everything in our infrastructure requires a geologic map to figure out what the foundation of our foundations really are, and that comes from a geologic map.

So private citizens use them. Farmers use them. In fact, in America we sort of require that our citizens, our farmers, our municipalities, our factories, all take care of the land that they have. The tool that links together their activities with the land and the water, the blueprint of that, comes from a geologic map. And sometimes we do not have it, and therefore mistakes can be made.

So what I am suggesting is the entire Nation, not just Kentucky, the entire Nation needs to be mapped geologically at an appropriate scale for wherever we are in the Nation.

We have now, under the National Geologic Mapping Act, converted in Kentucky—this is amazing—converted all of these maps to a computer format. So if you are a miner or a developer, you can log on to a web site and you can get the information you need from our online map services. So that means if you are trying to decide if you are going to drill an oil well or if you are going to put in an industrial park and you need to know what those rocks are, how you are going to build your buildings, you can get that information over the Internet, which—you know, businessmen do not necessarily stop at 5. They sometimes go late into the night, and we can now make the information that they need available over the Internet.

So when the mapping was done Kentucky went from third in the Nation in coal production to No. 1, and that is the kind of stimulant it did for us economically. So obviously Kentuckians are big fans of this, and I am proud of Senator Bunning for being a cosponsor of this and he recognizes the value of these maps to our State.

Sort of in—well, in conclusion I just want to say that back in the 1960's and 1970's when we were ramping up our coal production and these maps were coming off the printing presses and did such a great job to stimulate our economy—in today's world, we are now looking at these maps to find places to put that carbon in the atmosphere back into the earth, because sequestration I am sure is something you have heard about and probably discussed. Well, it is the geologic maps now that are going to allow us to prospect Kentucky and find the sites we want to store that carbon underground.

Thank you, Mr. Chairman.

[The prepared statement of Dr. Cobb follows:]

PREPARED STATEMENT OF JAMES C. COBB, PH.D., STATE GEOLOGIST AND DIRECTOR, KENTUCKY GEOLOGICAL SURVEY, UNIVERSITY OF KENTUCKY GEOLOGICAL SURVEY, LEXINGTON, KY, ON S. 2353

Mister Chairman and Members of the Subcommittee, thank you for this opportunity to present testimony in support of S. 2353 to reauthorize and amend the National Cooperative Geologic Mapping Act of 1992. I am Jim Cobb, State Geologist of Kentucky and Director of the Kentucky Geological Survey at the University of Kentucky. I am a member of the Association of American State Geologists and have worked closely with the U.S. Geological Survey and other state geological surveys. I am in a good position to comment on the value of geologic mapping to society because Kentucky is the only state of large area to be completely mapped geologically at a detailed scale. Therefore, using Kentucky's experience as an example for the Nation, geologic mapping has been enormously valuable.

I have observed from personal experience over more than 30 years that geologic mapping is one of the most *valuable* and *democratic* activities that government can

undertake. It is valuable for many reasons. It facilitates economic development, the wise production of vital minerals and fuels, the safeguarding of water resources, environmental protection and remediation, and the mitigation of hazards such as landslides, floods, and earthquakes. It is democratic because all of society benefits from geologic mapping when it is available, by virtue of better decisions being made about resource production, hazard mitigation, and planning. Because it is a government undertaking, the maps and data produced are widely distributed and made available to the public at low cost. Therefore, the private citizen, the mining company, state and federal agencies, and environmental advocates can all equally have access to this vital information.

Not all programs conducted by government have such broad and far-reaching positive implications in society. Economically, its cost-benefit ratio is excellent, returning 25 to 39 times the cost of the program to the tax payer. Few government programs have such an outstanding record of value returned to the taxpayers. Again citing the Kentucky example, geologic maps have been the most popular publications ever made about Kentucky land and resources. More than 200,000 geologic maps have been sold, more than all other geologic publications combined. In the United States, farmers, factories, municipalities, private industry, and private citizens are expected to maintain their land and water and prevent pollution from adversely affecting the environment. There are a myriad of regulations from local, state, and the federal governments to ensure the protection of our environment. But the citizens do not always have the necessary tools to understand the connections between the land and water and their activities. Geologic maps are basic blueprints that show how the land and groundwater are linked. Therefore, a geologic map is a necessary tool for preventing land and water pollution and should be available for all areas in the United States.

In the 1960's and 70's when Kentucky was mapped, the driving force behind the mapping was mineral production especially coal, oil, minerals, and natural gas. Kentucky's coal production rose to number 1 in the Nation because geologic mapping showed many new mineable coal reserves. Geologic mapping was a great stimulus for economic development at a time when it was greatly needed. It was recorded at the time that the taxes from the coal identified on just a few geologic quadrangle map were enough to cover the entire cost of the program for Kentucky.

The Kentucky geologic maps are an ideal example to study because they have been in circulation for more than 25 years, long enough for a meaningful evaluation. The popularity of geologic maps in Kentucky is a measure of how much the maps are valued, but a rigorous economic cost-benefit analysis of the mapping was needed to prove the economic value of the mapping. A total of 2,200 questionnaires about the geologic maps was sent to professional geologists and engineers registered in Kentucky. Twenty percent of the questionnaires were completed and returned for analysis. The questionnaires asked the following: (1) How are the maps used? (2) What are the maps worth to the user? (3) What are the maps worth to the state?

The responses indicated a wide variety of uses for the maps, some of which could not have been anticipated at the time the mapping program began. Some of the most common uses were:

- Exploring for and developing groundwater resources
- Exploring for and locating mines
- Cleaning up environmentally damaged sites
- Avoiding karst hazards
- Designing foundations for engineering
- Making zoning and city planning decisions
- Locating waste-disposal facilities
- Evaluating property
- Identifying hazards such as landslides

The question, "what are the maps worth to the user," was answered in several different ways. The users said they saved an average of $43,527 because the maps were already available and therefore they did not need to do the mapping themselves. Gathering only *the minimum* amount of information necessary for them to do a credible job would have cost an average of $27,776. Geologic mapping was so vitally important to their work that they estimated a map was worth 17 percent of their total project cost. Seventeen percent of the cost of a section of highway, an industrial park, a landfill, or other infrastructure is a significant amount of money for society.

A total of $21 million (1970 dollars) was spent on the mapping from 1960 to 1978. The dollars were equally divided between state and federal contributions. Field geologists from the U. S. Geological Survey carried out the majority of the mapping. It is important to ask, "Have the taxpayers gotten their money's worth?" If we mul-

tiply $27,776 (cost to gather minimum information necessary to do a credible job) by 81,000 (minimum number of maps sold by KGS alone), we get a minimal value of $2.25 billion for the maps; if we multiply the 81,000 maps sold by $43,527 (the amount already having a map saved the users), we get a maximum value of $3.53 billion for the maps. If we subtract the cost of the mapping program ($90 million, in 1999 dollars) from the minimum value of $2.25 billion, we see a net gain of $2.16 billion. This is a remarkable return on the taxpayer's investment of $90 million!

The public has been extremely well served by the mapping program, as demonstrated by this cost-benefit analysis. Even if you have never bought a geologic map, you still benefit from them. That is because they are considered "public goods," much the same as roads, dams, locks, reservoirs, and landfills are—in fact, geologic maps make it possible to build better roads, dams, locks, reservoirs, and landfills, and build them more economically. And the public will continue to reap the benefits of the maps because the information they contain will continue to be used for many more decades. Another example of the popularity and value of the Kentucky geologic maps is the interest the maps have raised among non-geological users groups in the state; such as the Kentucky Counties Association, Area Development Districts, the Natural Resources Conservation Service, Kentucky League of Cities, Kentucky Chapter of the American Planning Association, and various municipal, county, and state agencies. These groups are composed of the people responsible for enforcing regulations and protecting the environment as well as planning and zoning. Incorporating geologic maps into land-use decisions has become a major use for geologic maps.

This year Kentucky passed a major milestone in geologic mapping for the Nation. All of the original printed geologic quadrangle maps (GQ's) (1:24,000-scale, 7.5-minute) for Kentucky, 707 maps in total, have been converted into digital format. This is an unprecedented accomplishment in the United States. Kentucky is truly a national leader in this area. The *National Cooperative Geologic Mapping Act of 1992* and subsequent reauthorizations of this legislation have funded this program in part. This activity is a 50:50 cost share between the U.S. Geological Survey and the Kentucky Geological Survey. The U.S. Geological Survey and the Association of American State Geologists administer the National Cooperative Geologic Mapping Program (*http://ncgmp.usgs.gov/*). The government sponsorship of the program has ensured that the highest standards have been maintained in digitizing the data, that appropriate metadata has been provided to assist the users, and that the products are inexpensively distributed to the public.

The conversion of the paper maps into a digital format has numerous benefits:

- Many GQ's are now out of print. The new digital geologic map data permanently preserves this valuable geologic information for use by future generations.
- The digital format allows corrections, additions, and changes to be readily made to the original map data. This saves time and money because it would be prohibitively expensive to print revised maps.
- Digital data from each quadrangle can be easily distributed to users on CD-ROM or through the World Wide Web, and this makes the data much more accessible.
- The digital format allows users to manipulate and analyze the data in a variety of computer applications and is particularly useful in geographic information systems (GIS).
- All of the geologic data for the maps can be seamlessly joined together to provide a regional perspective and generate new maps at different scales.
- Data from the individual GQ's are being digitally compiled to create new 1:100,000-scale, 30×60 minute geologic maps for Kentucky.
- The digital geologic data from all 707 GQ's will be incorporated into a statewide GIS of geologic data, which will be made available to the public on the World Wide Web, providing access 24 hours a day, 7 days a week.

Recently, the Commissioner of the Department of Natural Resources, Kentucky Environmental and Public Protection Cabinet, commented on geologic mapping by saying, "I applaud the dedicated staff at the Kentucky Geological Survey for reaching such a momentous milestone. For the first time in our history, decision-makers across Kentucky will have instant access to critical information that will allow them to make well-informed decisions regarding future development and protection of our natural resources." The president of GRW, an engineering and mapping company in Lexington, Kentucky, said, "Having this data in digital format allows for easy and inexpensive distribution by electronic means. This greatly benefits the many and varied uses and allows for greater flexibility in the use of the data. Users can easily create new maps and new data by overlaying different maps. The potential

additional uses are virtually limitless." As previously stated, the economic return to society from the investment of government funds for geologic mapping in Kentucky (1960-1978) was between 25 and 39 times greater than the program costs. The economic return to society that will result from digital geologic maps will likely exceed that of the original printed maps. The digital maps can be used in many more ways and can be distributed much more widely than the printed paper maps.

Kentucky has a proud legacy of geologic mapping together with the U.S. Geological Survey and the other state geological surveys. In 1978, with the help of the U.S. Geological Survey we became the first state in the Nation to achieve complete geologic map coverage. Now because of the National Cooperative Geologic Mapping Act we celebrate the fact that Kentucky is the first state in the Nation to have complete digital geologic map data for the entire state. This provides an incredible foundation of geologic information that is easily accessible, inexpensive, and widely distributed for the benefit of future generations of people in the Commonwealth. I am proud that Senator Bunning is co-sponsoring this bill that will be so vital for the future of our Nation and Kentucky.

Senator CRAIG. Well, thank you both very much for your testimony. I was sold before you got here and you have sold me more. There is no question that they are critical and necessary for the effective development of our country and to do so in an environmentally sound way. So we very much appreciate your testimony and we will aggressively expedite trying to move this legislation through. If there are any questions we will submit them to you in writing for any response.

Craig, do you have any questions of these gentlemen?

Senator THOMAS. No, sir, I do not. I might want to talk to Dr. Cobb later about who is the largest coal producer in the United States, but I will not.

Dr. COBB. We were then.

[Laughter.]

Senator CRAIG. Well, something happened to our geology, a little volcanic activity, tended to burn it up, I think. So Idaho is not going to get involved in that debate, all right.

What I am going to do now is turn the balance of the hearing over to Senator Craig Thomas. It is an issue that deals with an important critical resource in his State. He has opening comments and he will introduce the balance of our panelists to talk to that issue.

So, Craig, I will hand you the gavel and let you proceed.

Senator THOMAS [presiding]. Thank you, sir. Well, I appreciate very much your having the hearing for this bill. It is a jobs bill for us in Wyoming and it has to do with putting people back to work.

Senator CRAIG. Can I interrupt for just a moment and ask unanimous consent that two statements become a part of this committee hearing's record.

Senator THOMAS. Without objection.

Senator CRAIG. Thank you.

Senator THOMAS. So what we are really talking about here is maintaining one of the most important economic activities in our State. Wyoming accounts for about 85 percent of the natural soda ash produced in the United States and the whole future of this industry is at stake right now. It has much to do with foreign markets and over the last several years the foreign market has been the opportunity.

So we are talking about here a way to assist in maintaining this economic activity, maintaining these jobs that are there, and main-

taining our position, being able to compete with China and the things that are happening there.

So I thank the witnesses very much: Mr. Michael Burd, vice president of the United Steelworkers Union, which represents workers there of course, as well as unions that transport the goods to the coast and all those kinds of things; Mr. John McDermid, who is counsel to the American Natural Soda Ash Corporation, the corporation that does most of the marketing in the Asian area and the overseas work for them; and Mr. Marion Loomis, who is the executive vice president of the Wyoming Mining Association and is involved there.

So, gentlemen, thank you so much for being here. We will start with you, Mr. Burd, if you please.

STATEMENT OF MICHAEL K. BURD, VICE PRESIDENT, UNITED STEELWORKERS OF AMERICA LOCAL 13214, FMC WYOMING ALKALI PLANT, GREEN RIVER, WY

Mr. BURD. I think you have pretty much said everything I needed to, Senator. But anyway, thank you. My name is Michael Burd. I am the vice president of the United Steelworkers of America Local 13214 at the FMC site and mine in southwestern Wyoming. I represent about 600 members at our site and, sadly, that number is down from 650 when the hearing was held on this matter in Rock Springs in April, due in part to another work force reduction. It is the politically correct word, I guess, for layoffs these days.

Anyway, the 600 members at our site and the 400 steelworker brothers and sisters at the General Chemical site, along with 800 workers at OCI in Solvay, we are tired of seeing our families, friends, and neighbors lose these good-paying jobs. Our industry is getting hit by many different factors that are causing the decline in the United States soda ash industry, of which approximately 90 percent is produced in Wyoming.

Mr. Chairman, over the last 5 years we have lost 400 jobs alone at FMC and another 300 throughout the trona patch. This contributed to the FMC Granger site being mothballed. That facility has the capability of producing 1.2 million tons of soda ash and if it were running at 100 percent it would employ more than 200 people.

We in Wyoming sit on top of the world's largest known trona deposit and with the current technology we have over 100 years of reserves yet to mine. Our plant operators and our underground miners are some of the best in the world. But how can we compete with China facing the hurdles that we have in southwestern Wyoming? One of the biggest is our rail service. We have only one carrier that holds a monopoly on getting our product delivered. The cost of a ton of soda ash to our customers is increased by 50 percent due to transportation rates.

Another factor is the price of energy. Natural gas has more than doubled in the past few years. An increase of one dollar per MBtu is an increase of $20 million to the Wyoming producers. The truly ironic part is this has happened while Wyoming is in the middle of a natural gas boom.

But mainly we have the foreign competition in China. China has gone from an importer of soda ash to the world's No. 1 exporter,

a distinction that Wyoming producers held until just recently. How? Because they build and operate state-sponsored plants and pay their workers next to nothing. They do not concern themselves with the environmental degradation that comes from running high-energy and dirty synthetic plants. They build their facilities next to ports to assure minimal transportation costs and they care not about workers' rights, safety, or the environmental standards.

How can American workers try to compete with this type of recklessness and disregard for human rights in the world we all share? The White House, whomever is in control, should present a workers' rights violation case against the Chinese through the World Trade Organization.

Last year our trade deficit with China was over $120 billion. All the American soda ash workers and producers want is a level playing field. If that were to occur, with our highly productive and modern plants and our professional work forces, Wyoming could supply the entire world with the best product available.

S. 2317 proposes to lessen the mineral royalties on soda ash from 6 to 2 percent. During the nineties the rate was raised from 2 percent to the current 6, but the industry was doing very well at that time and the exports were on the rise. That is not the case today.

It is not without a degree of concern that my fellow workers and I do support this legislation. I am a Wyoming native and I want to live and retire in that beautiful State. We all know that once a mineral is taxed and taken away it cannot be taxed again. But Wyoming is currently in the very enviable position of having something that most of the Nation would love to have. We have a very large budget surplus. So if we are going to do this the time is now. Governor Freudenthal has acknowledged this also in a letter of support to this committee.

I have no illusions that this will be the silver bullet to cure all the industry's woes, but I hope it will help. And maybe, just maybe, Senator, we can create some jobs in southwestern Wyoming. At the very least, hopefully we will not lose any more.

I have become very disillusioned watching my friends and neighbors leave the State in search of jobs elsewhere. Even worse than that, Wyoming is losing something even more precious, its future. We are losing our young people, Senator. Between Green River and Rock Springs, several grade schools have closed over the past few years. We simply do not have the children to support them. And of course, when the schools close the teacher and the staff that worked at those schools are gone also. Every job that we have that is lost in the trona industry translates into the community many times over.

As I said earlier, we are currently in a natural gas boom, but it will not last. One day it will slow down or stop altogether. Meanwhile, the trona industry has been a steady business since 1943 and has the potential to be around providing good jobs for generations to come. Hopefully, Mr. Chairman, you and this distinguished committee can help us, and I appreciate your time and thank you for allowing me to speak for you today.

Senator THOMAS. Thank you very much. You mentioned the letter from the Governor. I have one here and I shall put this in the record.

Mr. BURD. Thank you.

Senator THOMAS. As you indicate, these royalties are split between the feds and the State, so the State of course will have a reduction as well. But certainly we support that.

Mr. McDermid.

STATEMENT OF JOHN F. McDERMID, ON BEHALF OF AMERICAN NATURAL SODA ASH CORPORATION

Mr. MCDERMID. Good afternoon, Mr. Chairman. My name is John McDermid and I am testifying today on behalf of the American Natural Soda Ash Corporation, ANSAC, a Webb-Pomerene association which is composed of four of the largest U.S. producers of soda ash.

I am pleased to be able to be here today to underscore some of the international challenges facing the U.S. soda ash industry and the much-needed boost to exports that will result from reducing Federal soda ash royalties.

In 1977 the U.S. soda ash industry has faced the dual challenges of rising costs and foreign trade barriers that now threaten its viability. When the BLM last raised royalties in 1993, it based its increase on prospects for continued industry profitability and future growth at that time. A decade on, the conditions of perpetual expansion and profitability no longer exist. Rather, the U.S. industry finds itself facing stagnant growth, zero profitability, and mounting job losses. In short, this is an industry that is fighting for its very survival.

The impact of soda ash on the American economy is far-ranging. You will find no greater supporter for free trade than ANSAC. Soda ash exports contribute a surplus of nearly a half billion dollars to the overall trade deficit last year and U.S. soda ash exports of 4.5 million tons have nearly quadrupled since ANSAC's founding in 1983. About 40 percent of total production is exported.

Nevertheless, exports have grown by only 4 percent since 1997, compared to a 100 percent increase from 1992 to 1997. The industry's viability also impacts the 2,100 workers directly employed in well-paying jobs in the State of Wyoming alone, which is down 30 percent over 1997 levels. The industry also accounts for tens of thousands of jobs in other States with soda ash production and related industries like glass, detergent, and shipping.

U.S. soda ash consumption has been flat since the early 1980's, a factor that until recently was mitigated by U.S. export growth. Until 1997 jobs could marginally expand due to overseas growth and reasonably acceptable profits. Since then, however, as other industry experts are testifying today, energy and shipping costs and tax expenses have significantly risen. Rising costs are hurting U.S. exports. Without the natural advantage of trona, the rest of the world mostly produces soda ash through a synthetic process that is much more expensive than American methods. Despite high shipping and labor costs, the U.S. exports can still compete, though they must also face a myriad of tariff and non-tariff barriers erected to protect inefficient local producers.

Adding insult to injury, the countries with the highest barriers are also the world's most promising markets. These include China, India, Brazil, and South Africa. In the case of China, U.S. soda ash

has been at the losing end of a very ambitious 15-year campaign to develop a massive soda ash industry. The losses are simply staggering, an estimated one million tons in annual U.S. exports. Now the world's largest producer of soda ash, China's growth owes little to free market principles since over 90 percent of production is by state-owned firms that benefit from a 5.5 percent import duty, a fixed exchange rate that amounts to a 15 to 40 percent subsidy, and subsidized bank lending, not to mention lower wages and few environmental standards.

Without state support, China would be a lucrative U.S. market. Instead, U.S. market share has declined from 30 percent in 1989 to barely more than 1 percent last year as Chinese demand has exploded, and U.S. exports are expected to fall by another 30 percent this year. Subsidized Chinese soda ash is also edging out U.S. exports in key third markets. Chinese exports have doubled in the last 5 years, flooding markets in Japan, Korea, and Southeast Asia.

Unlike foreign counterparts, the U.S. industry neither seeks or desires government protection to compete. However, industry challenges are reaching a breaking point. Exports are critical to maintain jobs and restarting ideal facilities like those in Wyoming's Green River region, and reducing Federal royalties will jump-start export competitiveness.

The industry estimates that a reduction in Federal soda ash royalties to 2 percent would result in an estimated 5 to 10 percent increase in U.S. exports or about 25 to $50 million. Combined with other restructuring initiatives, a royalty reduction will help see the U.S. industry through a difficult period and position it for sustained long-term export growth.

I thank you for this opportunity to present ANSAC's views and welcome any questions you may have, Senator Thomas.

[The prepared statement of Mr. McDermid follows:]

PREPARED STATEMENT OF JOHN F. MCDERMID, ON BEHALF OF ANSAC (AMERICAN NATURAL SODA ASH CORPORATION), ON S. 2317

Good afternoon, Mister Chairman. My name is John McDermid, and I am testifying today on behalf of ANSAC, a Webb-Pomerene Association composed of four of the largest U.S. producers of soda ash. I am pleased to have the opportunity to underscore some of the challenges facing the U.S. soda ash industry and the beneficial impact in the global competitiveness of U.S. exports that will result from a reduction in federal soda ash royalties.

AN INDUSTRY CHALLENGED

Since 1997, the U.S. soda ash industry has faced the dual challenge of a rising cost structure and foreign trade barriers that threaten its viability. Four years earlier in 1993, the Bureau of Land Management raised the federal soda ash royalty to the current 6%, justifying this increase on industry profitability and current and future growth prospects at the time. A decade later, it is clear that the conditions of seemingly perpetual expansion and profitability no longer exist. Rather, the U.S. industry finds itself facing stagnant growth prospects, zero profitability, and mounting job losses. In short, this is an industry that is fighting for its very survival.

The far-ranging impact of soda ash manufacturing on the American economy cannot be overstated. Soda ash exports contributed $500 million dollars to the overall U.S. trade deficit in 2003. Furthermore, the viability of the U.S. soda ash industry impacts not only the 2,300 workers directly employed in well-paying jobs in the state of Wyoming alone, which incidentally are down 30% over 1997 employment levels, but also the tens of thousands of workers employed in (1) other soda-ash producing states, (2) value-added industries such as glass manufacturing; (3) ancillary industries such as transportation, and (4) jobs dependent on the health of the regional economy.

A NATURALLY-COMPETITIVE INDUSTRY BESET BY RISING COSTS

Domestic soda ash consumption has remained essentially flat since the early 1980s, a factor that until recently has been largely mitigated by dramatic increases in U.S. exports during this same period. Thus, up until 1997, the industry was able to maintain capacity and employment and even expand due to growth in overseas markets and to reasonably acceptable profitability levels. In recent years, however, rising costs of production have significantly eroded industry profitability. Other industry colleagues will testify on this matter with greater authority, but let me point out three specific areas: (1) rising energy costs, whereas the price of natural gas, a major production cost, has skyrocketed up by 150% over the last four years; (2) exorbitant domestic rail and ocean freight costs, whereas it costs more to ship product to its final destination than to make it; and (3) an increasingly burdensome share of taxes, fees, and royalties paid, whereas such taxes now account for 14% of the cost of doing business.

Rising costs have also had a debilitating effect on export competitiveness. Without the natural advantage of trona, the rest of the world mostly produces soda ash through a synthetic process that is more expensive than American methods. While U.S. soda ash literally has a natural edge over its foreign competition, it is disadvantaged by rising transportation costs and a substantially higher wage structure. While U.S. exports can still compete effectively in global markets under these conditions, they must also face a myriad of tariff and non-tariff barriers erected by foreign governments to protect local suppliers. Such state intervention props up inefficient producers and raises costs for customers in the glass and detergent industries. Considering that soda ash comprises about 60% of the raw material cost of glass and 30% for detergents, this protection prices local value-added production out of export markets; subjects local value-added manufacturing to import competition, and passes higher prices on to the general population. Adding insult to injury, the countries that have erected the highest bathers to U.S. soda ash are also among the largest, most-promising, and fastest growing markets in the world, e.g., China, India, Brazil, and even markets such as South Africa. Increasingly, as in the case of China, the levels of direct and indirect government support are rising to a point where imports are now edging out U.S. exports in key third markets such as Japan, Korea, and Southeast Asia where U.S. soda ash once dominated.

A reduction in royalty payments will have a significant positive impact on U.S. exports given that U.S. soda ash enjoys natural competitive advantages and that even a 2% price premium can determine a sale. Furthermore, the consequent increase in U.S. exports would help mitigate any revenue impact while maintaining and even boosting employment in the soda ash-producing states of Wyoming, Colorado, and California as well as states like Oregon with jobs dependent on the soda ash industry.

EXPORT GROWTH STALLED BY HIGH COSTS AND PROTECTIONISM

Given that U.S. soda ash consumption of about 7 million MT has been essentially flat for more than 20 years, it is vital that exports grow in order to stabilize U.S. production and employment. You will find no greater supporters of global free trade than ANSAC and the U.S. soda ash industry. Since ANSAC's founding, U.S. soda ash exports have increased from a base of 1.3 million MT valued at $138 million in 1984 to 4.5 million MT valued at $514 million in 2003. About 40% of U.S. production is exported, and soda ash contributed a surplus of *more than half a billion dollars* to the overall trade deficit of $536 billion last year. Remarkable as these numbers are, it should be noted that most of this growth took place prior to 1997. Exports have actually grown by only 4% since 1997, compared to a 100% increase from 1992 to 1997.

U.S. export growth coincided with dramatic advances in global trade liberalization. In many cases, however, tariffs remain substantial, especially in countries with the most promising soda ash markets. Furthermore, as tariffs fell, usually as mandated by negotiated trade agreements, governments have had to resort to ever-creative methods to protect inefficient domestic producers. While the global scene has many players, I will concentrate here on the illustrative-examples of China, Brazil, India, and South Africa. These countries are not only the most promising growth markets but prominent examples of extraordinary government protection. By outlining these examples, you will get a sense of the of the stiff challenges we face in growing exports and the imperative of reducing federal royalties to level the playing field.

China—China's policies aimed at expanding domestic production and exports have resulted in the loss of over 1 million MT in annual U.S. exports. This, in turn, has led to hundreds of lost jobs in Wyoming alone and millions of dollars in lost tax rev-

enues to that state. The U.S. soda ash industry has been at the losing end of an ambitious and targeted 15-year campaign, conducted at all levels of the Chinese government, to develop a massive domestic soda ash industry. The program has been an overwhelming success, transforming a fledgling industry into what is now the world's largest soda ash producing nation. Since 1989, Chinese soda ash production has expanded more than three-fold from 3 million to 11 million MT in 2003 and is expected to expand by another 6.3% percent this year. In the last five years alone, Chinese soda ash production has expanded by more than 50%, or 3.7 million MT.

China's impressive gains in soda ash production owe little to free market principles of innovation, efficiency, and profitability. Rather, since over 95% of China's soda ash is produced by state-owned enterprises, its rise as a soda-ash producing powerhouse is more a testament to the efficacy of government intervention. In addition to a 5.5% import duty, Chinese soda ash is aided by China's fixed exchange rate, which artificially undervalues the Chinese yuan relative to the U.S. dollar by between 15 to 40 percent, according to economists. This undervaluation of China's currency amounts to a *de facto* subsidy that negatively impacts not only soda ash but a wide range of U.S. manufacturing sectors. This is hurting U.S. export competitiveness and contributing to the highest bilateral trade deficits in history. Furthermore, like other state-owned firms, local soda ash producers benefit from subsidized financing from state-run banks, direct support from local and provincial governments that are driven by the need to maintain local employment, and a vertical supply-chain network of state-run firms. As has been widely documented, China's largely state-run banking system is notorious for issuing loans that do not have to be repaid, resulting in massive non-performing loan portfolios that are unsustainable and portend a potentially massive banking crisis with global repercussions. Chinese producers also benefit from a dramatically cheaper wage structure and much less rigorous environmental standards.

Reducing the federal soda ash royalty would help restore a more level playing field in China. Were it not for extraordinary levels of government protection and state support for domestic producers, China would be one of the largest and most promising foreign markets for U.S. soda ash. Already the world's largest soda ash market, Chinese soda ash consumption expanded by 18% in 2002 and by another 8% last year. Conversely, the U.S. share of the Chinese market has declined dramatically. In 1989, U.S. soda ash captured a 30% share of the Chinese market; 15 years later, our share stands at *barely more than 1%*. Though Chinese consumption has expanded from 4.0 million MT in 1989 to 10.1 million MT last year, a staggering 143% increase, the actual quantity of U.S. soda ash exports has *declined*, from 317,000 MT in 1989 to 280,000 MT last year. U.S. soda ash exports are expected to fall by another 30 to 40 percent this year, even though Chinese demand is expected to expand by another 2.2 million MT over the next four years, making China one of the few world markets expected to show solid growth in demand.

While consumption growth is impressive, the Chinese industry plans to increase capacity at rates far outpacing projected demand. According to industry estimates, China is set to boost annual capacity by an additional 1.1 million MT this year and by 3.3 million MT (both over 2003 levels) by 2007. (3.3 million MT equates to *55% of total U.S. soda ash consumption* last year.) Given that demand is only expected to increase by 2 million MT, this excess soda ash will end up being exported at cut-rate prices to third-country markets in Northeast and Southeast Asia.

East Asia—While penetrating the domestic Chinese market is difficult enough, U.S. exports are increasingly facing stiff competition from Chinese exports in key third-country markets. Chinese exports have grown dramatically, doubling in the last five years with rapid increases in production capacity. As of last year, about 11% of Chinese production was exported, yet this figure promises to grow with planned capacity additions over the next several years. Over 90% of Chinese exports are to key Asian markets such as Japan, Korea, and Southeast Asia (e.g., Indonesia, Thailand and the Philippines). The fall-off has been dramatic in what were once the largest markets for U.S. soda ash. In 1996, the *top four global markets* for U.S. soda ash were Indonesia, Korea, Japan, and Thailand, respectively. Combined, they accounted for $190M in exports, or 37% of total U.S. exports. By 2003, this share had fallen to $106M, a drop of 44% over 1996 levels, and down to 21% of U.S. exports. Excluding Japan, which has stronger demand for higher-quality soda ash, the drop in exports to Indonesia (7th largest market in 2003), Korea (8th largest), and Thailand (13th largest) has been a staggering 54% over 1996 levels.

I understand that several measures to counteract China's unfair advantages in these third markets were proposed in testimony before Senate Finance Committee International Trade Subcommittee hearings on the state of the U.S. soda ash industry on April 15. Among these proposals were the elimination or significant reduction

of China *de facto* 15-40% subsidy arising from its from artificially-undervalued fixed exchange rate as well as steps to eliminate or significant reduce China's value-added tax (VAT) rebate for exported soda ash. Under current policy, China offers its producers a partial refund of VAT taxes paid on domestically-produced soda ash that is exported. The rebate portion stands at 76% of VAT paid, reduced from 87% last year for fiscal reasons. Reducing or completely eliminating the VAT rebate program for soda ash would have no impact on production for the vastly larger domestic market while allowing U.S. exports to compete on a more level playing field in Asian markets. While action on either of these items would be significant, steps in that direction are not likely imminent.

The most potent and immediate boost to competitiveness would result from a reduction in federal soda ash royalties, which will allow U.S. exports to regain market share and better compete with subsidized Chinese exports in vital third markets.

Brazil—Brazil was the 4th largest market for U.S. soda ash in 2003, accounting for 312,000 MT of exports valued at $44 million. However, a series of obstacles threatens current and future U.S. market share. Already burdened by high production costs, U.S. soda ash faces a 10% import duty when exporting to Brazil and other Southern Cone Common Market (Mercosur) countries like Argentina. China is also emerging as a competitive threat, now comprising 7% of Brazilian imports. However, the most significant obstacle is a discriminatory sales tax (ICMS) on imported soda ash designed to protect Brazil's sole producer. Since 2001, the State of Rio de Janeiro has assessed a preferential ICMS rate of 2% on the formerly state-run firm Alcalis, compared to a 19% rate on all other (i.e., imported) soda ash, providing Alcalis a *de facto* subsidy of about $16-18 per metric ton. This discriminatory treatment flatly violates Brazil's national treatment obligations under the WTO (GATT 1994, Article III) which stipulate that internal taxes must be equally applied to domestically-produced and imported goods. In fact, the matter bears a strong resemblance to a WTO case recently filed by the U.S. government alleging discriminatory tax treatment of semiconductors by China. The U.S. industry estimates lost soda ash exports of up to $15 million due to this discrimination.

The industry has actively engaged the U.S. government for assistance on the discriminatory ICMS tax since November 2001. ANSAC and its member companies have met with senior officials in the Office of the United States Trade Representative and Commerce Department, and letters encouraging the Administration to support the industry's efforts have been written to United States Trade Representative Robert Zoellick by the Wyoming Congressional Delegation and Senators Smith and Wyden from Oregon. The industry has also submitted a draft Section 301 petition to the Office of the United States Trade Representative, although its intentions are to solve this matter via bilateral consultations and not through a trade war. Despite the extensive efforts of the industry and key Congressional supporters, progress remains elusive.

Nevertheless, the U.S. industry firmly believes that reducing soda ash royalties would clearly help U.S. exports retain Brazilian market share in the face of state support of the local industry and gaining Chinese competition. Such a reduction may also be necessary to fend off increased competition from duty-free European Union exports resulting from a pending EU-Mercosur Free Trade Agreement.

India—India is one of the world's fastest growing soda ash markets due to strong domestic demand for glass and detergents. However, there have been no U.S. soda ash exports to India since 1996. Like China and Brazil, India's domestic soda ash producers have enjoyed strong government support, which they have used to make India the world's fourth largest producing country—behind China, the United States, and Russia. As recently as 2002, an Indian court case brought by Indian soda ash producers threatened to shut U.S. exports completely out of the market. With the hard work of the U.S. government and strong support from the Wyoming Congressional Delegation, this outcome was averted. Nevertheless, India still maintains a 20% import duty which, when combined with other import taxes results in a net effective import duty of 39.2%. *Still, were it not for exorbitant shipping costs ANSAC could re-enter the Indian market, and a reduction in soda ash royalties would accelerate this process.*

South Africa—As in China, a once leading U.S. share of the South African market has dwindled due to state support for favored producers. In 1990, South Africa was the third largest market for U.S. soda ash with over $27 million in exports. Last year, exports were just $8 million, a decline of 70%, making South Africa the 21st largest market. This fall-off coincides with the 1991 formation of Botash, a politically-connected soda ash producer jointly owned by the Government of Botswana, the South African mining firms DeBeers and Anglo American, and a consortium of South African banks. Botash and its precursor entity SAB have benefited from extraordinary state support. In 1991, the South African Government temporarily

raised the soda ash tariff to zero to 10% and permanently reinstated it in 1994. Nevertheless, SAB was forced into bankruptcy and reformed as Botash in 1995. While South Africa was obligated under the WTO to reduce its soda ash tariff from 10% down to 5.5% by 2004, the tariff was maintained at 10% until January 2000 with Botash pressure. With tariff liberalization impending, Botash initiated a baseless legal action under South African competition laws, which threatens to shut ANSAC out of the market. ANSAC is nevertheless hopeful of a positive legal outcome, *and a federal royalty reduction would help U.S. soda ash regain its market share in this emerging economy.*

CONCLUSION

The U.S. soda ash industry prides itself on being a naturally competitive industry in every aspect. Unlike our foreign counterparts, we neither seek nor desire government protection or assistance to compete in the domestic and world marketplace. I said before and want to re-emphasize that you will find no greater supporters of global free trade than ANSAC and the U.S. soda ash industry. However, the challenges of rising production and transportation costs combined with pervasive foreign government support for local producers have reached a point where the viability of the U.S. soda ash industry is being severely strained. Given flat domestic demand, export growth is critical to maintaining U.S. production capacity and employment and restarting idle facilities such as those in Wyoming's Green River region. The U.S. industry estimates that a reduction in federal soda ash royalties to a 2% rate would result in an estimated 5-10% increase in U.S. soda ash exports, or about $25 to $50 million based on 2003 levels. Combined with other industry restructuring initiatives, a royalty reduction will help see the U.S. industry through a difficult period and position it for sustained and long-term export growth. I look forward to witnessing the continued positive role of soda ash on the economy of the nation, as well as its critical role in the state of Wyoming and regional economies in states such as Colorado, California, and Oregon. And once again, I thank you for this opportunity to present my views.

Senator THOMAS. Thank you very much.

I might mention, as you know, we had a committee hearing in Rock Springs this spring. It was an official meeting of the Finance Committee, in which we were focusing largely on trade. But there were a number of things that had impact on the continuing success here, and of course this mineral royalty was one of them.

My friend Mr. Loomis, the Mining Association in Wyoming.

STATEMENT OF MARION LOOMIS, EXECUTIVE DIRECTOR, WYOMING MINING ASSOCIATION

Mr. LOOMIS. Thank you, Senator. It is a great pleasure to be here and we really appreciate you taking comments on S. 2317. The Wyoming Mining Association is certainly in full support of the bill and we hope you would move it forward.

The Mining Association represents bentonite, coal, trona, and uranium producers in Wyoming. As you know, the trona is processed into soda ash that is used in the United States and throughout the world. It may interest you and the rest of the committee to know that Wyoming does lead the Nation in the production of all four of those minerals, producing 30 percent of the Nation's coal, most of the mined uranium and bentonite, and certainly, as you have already mentioned, 85 percent of the Nation's soda ash.

Trona mining and processing of it into soda ash constitutes one of the more important economic drivers for the State of Wyoming. Severance taxes, ad valorem production taxes, property taxes, Federal royalties, State royalties, sales tax, and even lease costs such as annual lease payments and bonus bids for new leases have helped create a surplus in Wyoming that is envied by many States across the Nation.

However, the economic health of the industry is at an all-time low. You have already heard those comments. I will try not to repeat what has already been said, but the price of soda ash has declined from around $77 in 1997 to $69 per ton today. The employment has dropped, as has been mentioned. One of our mine managers testified at that field hearing that you mentioned that as recently as 1997 the profitability of the industry was about 15 percent and it is near zero today. So we really do need help and your support.

The industry is very important to the State of Wyoming. Taxes, Federal royalties, fees, all those things I mentioned, exceeded $48 million on 2003 production. The private royalties are another huge portion of it. But just the portion that comes back to the State of Wyoming in taxes and royalties is over $20,000 per miner. There are very few jobs or industries that create that kind of economic impact in any State.

Maybe even more important than the taxes is the $200 million payroll that is generated by the industry. That money buys houses, food, it pays for college expenses, and allows the 2,100 miners and employees to improve their quality of life.

We often hear about the wage gap between men and women, and the trona industry offers outstanding jobs to women. I am aware of a number of female chemical engineers, technicians, environmental specialists, and miners working in the trona industry. So these high tech jobs are the envy of almost any economic development agency. If you add all of the benefits, health care, employment taxes, these employees are over $87,000 a year, certainly major jobs by any standards.

And these jobs create additional jobs. Our Wyoming Business Council states that each primary job would generate another two full-time jobs. So that $200 million payroll, you can multiply it. They do not get paid probably on the order of the miner, but it would generate another $330 million. So you have a $500 million impact just from the payroll.

When you add the $600 to $700 million in sales and those companies turn around and they are paying those employees, of course, and the taxes, but they are also buying new equipment, they are buying the energy and fuel that has already been talked about. So it is very, very large, the economic impact.

The legislation does not affect just Wyoming. Searles Valley Minerals operates three plants in San Bernadino County, California, and they have another 600 employees there. So it is also very important there.

You have already heard about China. I will not go into that other than to say that China a year ago, 2 years ago, was a net importer of soda ash and now they are a major exporter. So that is a major turnaround and something we are going to have to address. China is going to continue to be a competitive reality and we are going to have to do everything we can in order to effectively compete against them. This is one area where we feel that the government has control and can take a position in support of the industry.

So in summary, the trona industry is also creating a positive balance of payments. I think that was mentioned. In summary, we do create a positive balance of payments to address our trade deficit,

employ over 2,000 people in the State of Wyoming, another 600 in California, earning some of the top salaries in the country. We generate millions of dollars in taxes and royalties to run State and local government. We are a major, major factor.

So we hope you will help keep us going and keep these jobs in Wyoming. Thank you, Mr. Chairman.

[The prepared statement of Mr. Loomis follows:]

PREPARED STATEMENT OF MARION LOOMIS, EXECUTIVE DIRECTOR, WYOMING MINING ASSOCIATION, ON S. 2317

Mr. Chairman, members of the Subcommittee on Public Lands and Forest, ladies and gentlemen. My name is Marion Loomis and I am the Executive Director of the Wyoming Mining Association. The Wyoming Mining Association (WMA) thanks you for taking comments on S. 2317—Limiting the Royalty on Soda Ash and is in full support of the Senate File.

WMA represents bentonite, coal, trona and uranium producers in Wyoming. As you know trona is processed into soda ash for use in the United States and throughout the world.

It may interest the committee to know that Wyoming leads the nation in production of all four of the above minerals and accounts for 30% of the nation's coal, virtually all of the mined uranium, most of the bentonite produced in the United States and, most importantly to you today, 90% of the nation's soda ash.

Trona mining and the processing of it into soda ash constitutes one of the most important economic drivers for the state of Wyoming. Severance taxes, ad valorem production taxes, property taxes, federal royalties, state royalties, sales taxes and even lease costs such as annual lease payments and bonus bids for new leases have helped create a surplus for Wyoming that is envied by many states across the nation.

However, the economic health of the soda ash industry is at an all time low. The price of soda ash has dropped from $77 per ton in 1997 to $69 per ton today. Employment has dropped from 3,000 in 1997 to 2,110 today. One of our mine managers testified at a field hearing in April of this year that the profitability of the industry has declined from 15% as recently as 1997 to near zero today. The industry needs help to continue to provide vital economic impact for Wyoming.

To give you some idea of what this industry means to Wyoming, I offer the following statistics. There are 2,110 miners in Wyoming producing over 15 million tons of trona per year. Taxes, federal royalties and fees from the trona industry exceeded $48 million on 2003 production and Wyoming's share of that is over $42 million. That means that trona production generates almost $20,000 in taxes and royalties for use by government in Wyoming for every miner employed.

Below is a breakdown of the taxes and royalties generated by the trona industry on 2003 production. As stated previously, Wyoming's share of these tax and royalty dollars exceeds $42 million.

TRONA—TAXES AND ROYALTIES ON 2003 PRODUCTION

Severance Tax	$7,800,000
Ad Valorem Tax on Production	14,300,000
Ad Valorem Tax on Real and Pers. Prop.	5,300,000
Federal Mineral Royalty (total paid)	10,900,000
Bonus Bids (total paid)	500,000
State Royalties	5,300,000
Sales Tax	4,000,000
TOTAL TAXES AND ROYALTIES	$48,1000,000
No. of Employees	2,110
Payroll Including Benefits	$201,000,000
Production (Tons of Trona)	15,100,891

Maybe even more important than the taxes generated is the $200 million payroll generated by the trona industry. That money buys houses and food, pays for college expenses, and allows over 2,000 employees to improve their quality of life.

We often hear of the wage gap between men and women, but the trona industry offers outstanding jobs to women. There are female chemical engineers, technicians,

environmental specialist and women miners working in the trona industry. These high tech jobs are the envy of any economic development organization. When all of the benefits such as health care and employment taxes are added in, these jobs pay over $87,000 per year, and women work right alongside of the men earning the same salary for the same job.

These jobs create additional jobs in Wyoming. Our Wyoming Business Council states that each primary job generates another 2 full time jobs. The Business Council further states that a $200 million payroll will generate another $334 million in payroll. Add to that the purchase of goods, equipment, fuel and services from the sale of $600-$700 million worth of soda ash and the economic impact of trona mining to Wyoming and the people living in Southwest Wyoming is huge.

This legislation does not just impact Wyoming. Searles Valley Minerals ("SVM") operates three plants in Searles Valley in northern San Bernardino County, California that produce soda ash, sodium sulfate, boron products and solar salt. SVM is the only major employer in Searles Valley and is only one of two major employers in the area, the other being the U.S. Navy at its China Lake facility. The company has about 603 current employees plus hundreds of contractors and service providers. With direct and indirect jobs in the immediate area of about 1,500 from SVM in an area with an overall population of about 30,000, SVM is an important part of the area's economy.

It is also important to recognize the positive impact soda ash has for the balance of trade to this country. At a time when our imports far exceed our exports, we need to do everything we can to sell more U.S. produced goods. Soda ash represents over 80% of the goods produced in Wyoming that are exported.

Mr. Chairman, the challenges to sustaining our global leadership are increasing.

Export growth means job growth for Southwest Wyoming. And, our industry is committed to increasing its share of the world's growing demand for soda ash; indeed we must, if we are to remain viable. Since the early 1980's domestic demand for soda ash has remained constant at approximately 7 million tons per year, and there remains no foreseeable growth in critical U.S. markets for flat glass or glass packaging that will lead to future growth. Thus the prospects for growth in our industry hinge on growing our markets offshore.

To put in perspective the challenge before us, in the fifteen years between 1982 and 1997, this industry enjoyed a steady and significant growth in exports. Just in the five years between 1992 and 1997, export volume grew 100%. But in the years since 1997, export growth has been marginal. Exports in 2003 were only 4% above their 1997 levels. We are not satisfied with the current rate of export growth, nor should we be. The developing economies of China, Southeast Asia, Latin America and Africa are growing, and so too should demand for a U.S.-made product from a vast mineral reserve natural and unique to this state.

However, Mr. Chairman, as you well know, we are not alone in competing for these new markets. As recently as 1989, China imported over a 1 million ton per year of soda ash. By next year, we expect them to be a 1.5 million ton net exporter. Moreover, China has now become the world's largest producer of soda ash, though hardly it's most efficient. A growing number of inefficient, state owned and state supported Chinese producers have added soda ash to their growing list of manufacturing exports and are flooding international markets with low cost material. This is in spite of the fact that their own synthetic production facilities are energy intensive and their environmental and worker safety standards are dismal by our standards.

But like it or not, China is a competitive reality, and U.S. soda ash producers have to do everything they can to reduce their costs in order to effectively compete. They remain the most efficient suppliers of soda ash in the world. They continually look at their cost structure, both the costs they control, and those controlled by others, in order to sustain this leadership in the years ahead. If they are to maintain this industry's global leadership role they must partner with federal, state and local governments, and the critical energy and transportation suppliers in new cost sensitive relationships that recognize their mutual dependence on one another.

If the industry cannot turn their profitability around, all of this economic impact will be at peril. They really do need your help. Reducing the federal royalty for a set period of time will have a tremendous impact on the cost of producing a ton of soda ash. The industry can and has taken aggressive steps to reduce fixed costs, improve operational efficiencies and even curtail excess capacity. But the industry cannot do anything about the government imposed costs. Since that is one of the major costs, we are asking you for help to make those reductions.

In summary, the trona industry is creating a positive balance of payments to address our trade deficit, employs over 2,000 highly skilled men and women in Wyoming and another 600 in California earning top salaries, and generates millions of

dollars per year in taxes and royalties to run state and local governments. We hope you will help keep these jobs and economic impact in Wyoming, California and the United States.

We thank you for the opportunity to comment on this legislation and hope that you will be successful in passing it through the full Senate.

Once again thank you.

Senator THOMAS. Thank you, and thank you, gentlemen.

It is interesting that you have mentioned the economic impact, not only directly in jobs and salaries, but taxes and the whole impact. Actually, the Interior Department has submitted, they would—I never thought I would say it—not very much. But they would lose $5 million a year. In the scheme of things around here, $5 million a year is not very much compared to what it does in terms of the economy.

[The statement of the Department of the Interior follows:]

PREPARED STATEMENT OF THE DEPARTMENT OF THE INTERIOR ON S. 2317

The Department of the Interior submits the following statement for the hearing record on S. 2317, a bill to reduce the royalty on soda ash production from Federal lands.

S. 2317 would establish a two percent royalty rate to the United States for sodium minerals mined from Federal lands, (a reduction from six or eight percent) on all current and future sodium leases, for a five-year period. In Section 102(9) of the Federal Land Policy and Management Act (FLPMA), Congress declared that the policy of the United States is to obtain fair market value for the use of the public lands, including royalties from sodium production, unless otherwise provided by statute. The Administration believes a two percent royalty is well below fair market value for the resource, and therefore cannot support the bill.

SODA ASH BACKGROUND

Soda ash is one of several products derived from sodium minerals mined on public lands and is used in many common products, including glass, detergents, and baking soda. The mineral trona is a naturally occurring mixture of sodium carbonate, sodium bicarbonate, and water. Soda ash, or "sodium carbonate," is refined from trona mined at depths between 800 and 1600 feet below the surface.

The chemical soda ash, is either natural or synthetic. Soda ash can be extracted from natural trona deposits that are mined, or it can be manufactured synthetically. Synthetic soda ash production began in this country in the 1880's and increased as the demand for soda ash increased. Although soda ash represented only two percent of the total estimated $38 billion U.S. non-fuel mineral industry in 2003, its use in many diversified products contributes substantially to the gross domestic product of the United States, and the industry is a cornerstone of Wyoming's economy.

In the early 1950s, the modern natural soda ash industry began in the Green River Basin of Wyoming, home of the world's largest natural deposit of trona. Since then, five soda ash processing facilities have been constructed in Southwest Wyoming. Natural soda ash production from Wyoming, in an open market, is more competitive than synthetic soda ash produced at plants elsewhere in this country and the world.

SODA ASH—CURRENT PRODUCTION

Currently, the U.S. soda ash industry is made up of four companies in Wyoming operating four plants (a fifth plant is idle); one company in California with one plant; and one plant in Colorado owned by one of the Wyoming producers. The five U.S. producers have a combined annual designed production capacity of 14.5 million tons (16 million short tons). The total estimated value of domestic soda ash produced in 2003 was $750 million.

Ninety percent of the domestic soda ash production occurs in the Green River Basin of Wyoming. Of this, about 44 percent of the production is from Federal lands. The other production in the Basin is on nearby or adjacent State and private lands, which are often in a checkerboard pattern with the Federal lands. Nationwide, the Bureau of Land Management (BLM) estimates that 48 percent of the soda ash production is from Federal lands.

S. 2317

S. 2317 proposes a statutory royalty rate on sodium of two percent. As mentioned, the Department of the Interior believes a two percent royalty rate is below fair market value, which was estimated to be above the current six percent rate. The BLM's policy, as declared by Congress in FLPMA, has been to obtain fair market value for sodium resources. To implement this policy, in 1995, the BLM completed a market study to examine fair market value in the sodium industry in Wyoming. The study reviewed many comparable state and private leases and found that fair market value in Wyoming appeared to be somewhat higher than the five percent being charged by BLM at that time. As a result of the 1995 study, in February 1996, the BLM determined that the royalty for all then-existing leases would be increased from five to six percent at the lease renewal date. The BLM also determined, based on the study, that the royalty rate for all new leases entered into during or after 1996 would be eight percent. In the Green River Basin, the current sodium royalty rate on most private land is eight percent; five percent on State lands.

The bill also would result in significant revenue loss to both the Federal government and the State of Wyoming. In 2001, (the most current year for which publicly available statistics have been published by the Minerals Management Service), $11.1 million in Federal royalties were collected from soda ash production on public lands in Wyoming. Of that amount, pursuant to the Mineral Leasing Act, 50 percent, or $5.5 million, was distributed to the State of Wyoming, 40 percent went to the Reclamation Fund (a fund created by statute in 1901 for the construction and maintenance of irrigation works and reclamation projects) and 10 percent was distributed in miscellaneous receipts to the U.S. Treasury. The bill's reduction of the royalty from six to two percent for soda ash production would mean that total royalties would be reduced from approximately $11.1 million to approximately $3.7 million—a reduction of $7.4 million in one year. Under the bill's reduced royalty rate, the State of Wyoming's share of the Federal royalties would be reduced to $1.8 million, as compared to $5.5 million in 2001. The United States' share also would be reduced by an equal amount.

It should be noted that most of the soda ash mines in the Green River Basin of Wyoming have both Federal and non-Federal ownership of the mineral rights and are within the Union Pacific Railroad land grant corridor which creates a checkerboard pattern of private and Federal mineral ownership, where a section (1 square mile) of federal ownership is surrounded on four sides by private or state ownership. Many of the lease agreements for the mining of soda ash from the privately-held mineral rights specify that the mining company must mine as much soda ash from private mineral rights as mined from adjoining Federal or State mineral rights. These agreements contain financial penalties that discourage mining more than fifty percent from non-private portions of the mines. Therefore, reductions in the Federal royalty rate will not provide a directly proportional incentive to produce more soda ash from Federal leases.

CONCLUSION

The Administration cannot support S. 2317 because the bill reduces government receipts and reduces the fee below fair market value.

The Department of the Interior appreciates the opportunity to submit a statement on S. 2317 and would welcome further opportunities to discuss the bill and related issues with the Committee. The Department would be pleased to answer any questions the Committee may have for the record.

Senator THOMAS. I do not think most people ever heard of soda ash or trona. Any of you, tell us some of the retail products that come from soda ash?

Mr. MCDERMID. Mr. Chairman, soda ash is a basic chemical commodity. Yes, you are absolutely correct, most people do not know it. In fact, I find that most people in Wyoming refer to it as "trona," in Washington it is "soda ash." But roughly 60 percent—I think this is the most staggering of the numbers, in answer to your question. Roughly 60 percent of the cost of making glass is soda ash.

Now, with the international hat on that I have, that means that in the world, if you are purchasing high-quality, well-priced soda ash, you are going to be competitive in the glass industry. So in

that sense, glass industries around the world are generally speaking with our allies trying to seek trade liberalization.

Another major use for soda ash is detergents, and there are some ancillary other uses. But those are the two principal uses.

Senator CRAIG. Baking soda.

Mr. MCDERMID. Baking soda, yes. I am sorry. That would be another major use.

Senator CRAIG. It is, frankly, one of the few things in Wyoming that goes ready to go on the grocery shelf when it leaves our State, and so on.

Well, I appreciate very much your being here. Again, I think we are talking here about the loss of jobs versus a relatively small loss of payments to the State and the feds. We are talking about our largest export into foreign trade in Wyoming. It does help reduce the deficit. We are talking about potential loss of an industry that is one of our major ones.

So we appreciate your being here and we look forward to continuing to move forward with this bill and the other bills that are all here.

There being nothing further, the committee is adjourned.

[Whereupon, at 3:30 p.m., the hearing was adjourned.]

APPENDIXES

APPENDIX I

Responses to Additional Questions

UNIVERSITY OF KENTUCKY,
KENTUCKY GEOLOGICAL SURVEY,
Lexington, KY, August 30, 2004.

Hon. LARRY E. CRAIG,
Chairman, Subcommittee on Public Lands and Forests, Committee on Energy and Natural Resources, U.S. Senate, Washington, DC.

DEAR SENATOR CRAIG: Please find attached responses to the questions that were submitted for the record pursuant to S. 2353, the National Geologic Mapping Act, before the Subcommittee on Public Lands and Forests of the Senate Committee on Energy and Natural Resources on July 14, 2004. Robert Marvinney, President of the Association of American State Geologists, and James C. Cobb, State Geologist of Kentucky, worked together on these responses.

It is our pleasure to participate in this important business for the Nation and we would be happy to provide any further assistance or input if needed.

Very sincerely yours,

JAMES C. COBB,
State Geologist, and
Director, Kentucky Geological Survey.
ROBERT G. MARVINNEY,
President, AASG, and
State Geologist, Maine Geological Survey.

[Enclosure.]

QUESTIONS FROM SENATOR BUNNING

Question 1. I would like to congratulate the Kentucky geological survey and our state geologist, Dr. Jim Cobb, for making Kentucky the first state in the nation to have complete digital geologic map coverage. As we have seen in Kentucky, digitizing maps has become a very important and valuable aspect of this program. Does the current legislation adequately reflect the priority and funding needed to update older maps into newer, online databases?

Answer. The current legislation allows for updates of older maps and conversion of existing maps to digital databases for online access. One of the outstanding aspects of the original legislation was the foresight to emphasize digital geologic maps for efficient and paperless storage, updating, and communication of information to map users. Most states have used this part of the legislation, and a national catalog of digital geologic maps has been prepared by the USGS. Additions to this catalog are made every year.

Question 2. The research presented today shows that government dollars spent on this program have been returned 20-fold in Kentucky. Do you believe further investments will see this magnitude of public benefits? Can other states that are in the earlier stages of this program expect to experience similar benefits?

Answer. I believe all states will experience a high return on investment from this program, and even in Kentucky, continued updating and new mapping will yield significant returns on the investment. States differ in their geology, natural resources, water availability, and hazards; therefore, the actual return to each state from this program will be different, but in all cases it will be very high and will continue to pay dividends long into the future.

Questiion 3. Despite the successes of this program, nearly ¾ of the country is still not adequately mapped. But it is encouraging to see that the number of state surveys participating in this program has increased during the last decade, from 34 to 47. How can we help ensure that all states take full advantage of this program?

Answer. Lack of federal funding is the principal reason that progress is not being made faster toward the goal of mapping the U.S. geologically. The state geological surveys can match approximately twice the federal dollars currently appropriated under the Act. For 2004, the authorization level will be at $60 M but the appropriation only $26.5 M. The STATEMAP component of the Act is only $7 M, which leaves approximately $6 M in available matching state funding unused. A total of 47 states participating out of 50 is a very high percentage. For some states, funding for geological surveys is small; therefore, because of state funding priorities it may not be possible to have all 50 states involved every year.

DEPARTMENT OF THE INTERIOR,
OFFICE OF CONGRESSIONAL AND LEGISLATIVE AFFAIRS,
Washington, DC, October 28, 2004.

Hon. LARRY E. CRAIG,
Chairman, Subcommittee on Public Lands and Forests, Committee on Energy and Natural Resources, U.S. Senate, Washington, DC.

DEAR SENATOR CRAIG: Enclosed are responses prepared by the Office of Insular Affairs to questions submitted following the July 14, 2004, hearing on H.R. 1189, "To increase the waiver requirements for certain local matching requirements for grants provided to American Samoa, Guam, the Virgin islands, or the Commonwealth of the Northern Mariana Islands."

Thank you for the opportunity to provide this material.

Sincerely,

JANE M. LYDER,
Legislative Counsel.

[Enclosure.]

QUESTIONS FROM SENATOR CRAIG

H.R. 1189 WAIVER REQUIREMENT INCREASE FOR TERRITORIES

Question 1. Approximately, what is the amount of annual grants received by the U.S. Territories from the Federal government?

Answer. According to the latest available statistics from the U.S. Census Bureau Consolidated Federal Funds Report for fiscal year 2002, the territories received the following grant amounts:

American Samoa	$93,400,000
Guam	250,600,000
Northern Mariana Islands	66,100,000
Virgin Islands	266,400,000
Total	$676,500,000

Question 1(a). How many of these grants are distributed by the Department of the Interior?

Answer. The U.S. Census Bureau Consolidated Federal Funds Report for fiscal year 2002 shows that the territories received the following grant amounts from the Department of the Interior:

American Samoa	$36,700,000
Guam	61,900,000
Northern Mariana Islands	21,600,000
Virgin Islands	79,900,000
Total	$200,100,000

Question 1(b). How many of the grants are distributed by Interior's Insular Affairs division.

Answer. Approximately $79 million.

Question 1(c). how many of these grants are from other Federal agencies?

Answer. Approximately $476 million.

QUESTIONS FROM SENATOR AKAKA

H.R. 1189

Question 1. In 1980, in an effort to relieve the financial and administrative burden on the territorial governments, Congress enacted legislation requiring Federal agencies to waive any local matching requirement under $200,000. H.R. 1189 would increase this waiver to $500,000.

Generally, what is the current financial position of the territorial governments?

Answer. Fiscally, each of the territories has been struggling for some time. American Samoa is the bright spot, due to the windfall of tobacco settlement payments. American Samoa was able to pay off much of its traditional long-term debt by incurring debt that is serviced by the tobacco payments. Currently, American Samoa woes approximately $28.5 million. Tobacco payments service $17 million of this debt. The Virgin Islands carries $1 billion in debt, with annual debt service of $81 million. The Internal Revenue Matching Fund provides $40 million of the $81 million in annual debt service. Guam carries general and limited obligation debt of $400 million. The CNMI owes approximately $250 million, nearly all of which is serviced by dedicated streams of income, including the Covenant funds.

Question 2. Generally, what is the status of territorial efforts to provide essential infrastructure such as water, sewer, solid waste disposal?

Answer. Generally, the territories are trying to bring their water, sewer and solid waste disposal infrastructure into compliance with Federal regulations. They are utilizing the limited funds provided by the Office of Insular Affairs and local funds to address their most critical priorities.

For example, in the Virgin islands, EPA consent decrees, related to wastewater infrastructure, mandated improvements necessary to comply with Federal environmental regulations. In 2004, the Virgin Islands is utilizing $5.0 million of the infrastructure, funds provided by the Office of Insular Affairs as part of a multi-year financing plan to finance the design, construction and operations of the wastewater treatment plants on St. Croix and St. Thomas.

In Guam, one of the most critical issues is the closure of Ordot landfill. In fiscal year 2004, Guam requested that $3.259 million in grant fund balances provided by the Office of Insular Affairs by utilized for Ordot closure, and for plans, specifications and estimates for a new landfill.

American Samoa has a five-year master plan for infrastructure and generally allocates funding based on the master plan in the areas of water, sewer and solid waste disposal. In 2004, American Samoa received $.475 million for water infrastructure, $1.9 million for sewer infrastructure and $.475 million for solid waste infrastructure in grant funds from the Office of Insular Affairs.

In the CNMI, in fiscal year 2004, the most critical projects are (1) 24 hour water service for all residents of Saipan, (2) closing the Puerto Rico dump and (3) designing and constructing a sewer treatment plant in Tinian. During fiscal year 2004, the Office of Insular Affairs provided grants for $7.2 million to address water service needs in Saipan, $1.0 million for Puerto Rico dump closure, and $1.3 million for Tinian sewer infrastructure.

Question 3. Do you have an estimate of how much H.R. 1189 would save the territorial government each year?

Answer. We do not have an estimate of savings. Each individual territory would be the best source for such information. With precise knowledge of the grants it receives and the matching amounts it contributes, a territory would be in the best position to determine projected savings.

Question 4. Are there issues that have arisen over the past 20 years in the implementation of this waiver policy that the Committee should consider fixing if we were to recommend enactment of this bill?

Answer. The matching waiver provision has received differing interpretations from various agencies as to whether or not the waiver is applicable to a particular program, and the amounts to be waived. H.R. 1189 would clarify the ambiguities in the existing statute. The views of concerned agencies with respect to these and other waiver issues, including their support for or opposition to a statutory increase in the waiver amount, may be presented in forthcoming reports on H.R. 1189.

APPENDIX II

Additional Material Submitted for the Record

STATE OF WYOMING,
OFFICE OF THE GOVERNOR,
Cheyenne, WY, July 9, 2004.

Hon. LARRY CRAIG,
Chairman, Public Lands and Forests Subcommittee, Committee on Energy and Natural Resources, U.S. Senate, Washington, DC.

DEAR SENATOR CRAIG: It is my understanding the Senate Energy and Natural Resources Committee will soon begin deliberations on The Soda Ash Royalty Reduction Act of 2004. I encourage you to view this legislation favorably.

Soda ash is of critical importance to many industrial and commercial uses in the United States and around the world. While primarily used in glass making (approximately 55% of U.S. consumption), soda ash is also used in the chemical industry (23% of U.S. consumption), the making of soaps and detergents, pulp and paper manufacturing and water treatment. Numerous other smaller, but nonetheless vital uses of this mineral consume the balance of production in the United States.

For over 60 years, trona, the ore from which soda ash is manufactured, has been mined from the largest deposit of trona in the world, located in southwestern Wyoming. The industry has enjoyed a cooperative and mutually beneficial relationship with Wyoming. However, the industry has also experienced difficult domestic market conditions, and has relied on export sales for most of its business growth during the past 20 years. The competitive challenges faced by the industry are exacerbated by transportation, taxes and other costs that are not required of many of its foreign competitors.

This industry, which leads the world in production of a mineral so essential to so many of our fundamental industries, is now under economic attack from China, where soda ash can be produced cheaply and without regards to the strict environmental oversight which governs extractive industries in the United States.

Despite great strides in mining and manufacturing efficiencies, despite cutting its workforce, and despite the best management practices it can make, the industry in the United States is losing ground to its overseas competitors. The United States soda ash industry needs and deserves reasonable and appropriate steps from its government to help it survive a challenge from foreign shores. I believe that the Soda Ash Royalty Reduction Act of 2004 is such a step in the right direction.

As Governor of Wyoming, I would urge support Senator Thomas's bill to reduce the tax burden on this critical industry. This bill is a measured, reasonable and timely step that will preserve good jobs for our citizens, and help this critical industry compete in a highly competitive global market. The negative impacts to the citizens of the State of Wyoming, let alone the impacts to the people and industry of the United States, promise to be significant if this industry fails to remain competitive in the international markets that represent nearly all of the future growth potential for soda ash.

Thank you for your consideration in this matter.

Sincerely,

DAVE FREUDENTHAL,
Governor.

TERRITORY OF AMERICAN SAMOA,
OFFICE OF THE GOVERNOR,
Pago Pago, AS, July 14, 2004.

Hon. RON WYDEN,
Ranking Member, Subcommittee on Public Lands and Forests, Committee on Energy and Natural Resources, U.S. Senate, Washington, DC.

Subject: H.R. 1189

DEAR SENATOR WYDEN: Thank you for the invitation to submit a statement on the above referenced legislation. I appreciate the opportunity to take part in this important discussion.

It has been twenty years since the waiver requirement was written. In those twenty years American Samoa has made great strides in almost all areas of government as well as social and economic development. Recently, those strides have become slowed and labored, due to the harsh economic impacts of national unemployment, decreased revenues and a dearth of available capital for economic development.

The increase in the waiver requirement, as proposed by this important legislation will go a long way toward mitigating the negative effects of the problems plaguing American Samoa. In turn, those moneys appropriated to match federal funds currently may be put to greater use in supporting health care, education and economic development.

Economic development dollars are vital in this Territory. Almost the whole of American Samoa's private sector consists of two tuna fish canning plants. A significant portion of American Samoa's economy is completely dependent upon these canneries for survival. While the Territory has done well to target other businesses which would help to trump up our private sector, the private sector's independence from the tuna canning industry is still far off on the horizon. The moneys that would be made available through this legislation would help American Samoa tremendously in this and other economic development initiatives.

American Samoa also suffers from one of the highest rates of diabetes, cancer and heart disease of any other group in the United States. This has put an incredible amount of pressure on the Territory's already fragile health care system. The funds that would be available as a result of this bill would aid American Samoa in strengthening her health care system with the appropriate equipment and adequate staff.

These are but two examples of how much this bill would help the government of American Samoa. The moneys that will be made available to the Territory pursuant to this bill will give American Samoa a much needed shot in the arm to once again make sure and strong strides for its people and island home.

I wholeheartedly support H.R. 1189, and it is my sincere hope that with your help and the assistance of the Subcommittee, this legislation will be passed as soon as possible.

Again, I thank you for the opportunity to communicate my position on this important legislation. Should you have any questions regarding this matter, please do not hesitate to contact me.

Sincerely,

TOGIOLA T.A. TULAFONO,
Governor of American Samoa.

TAXPAYERS FOR COMMON $ENSE ACTION,
Washington, DC, July 14, 2004.

Hon. PETE DOMENICI,
Chairman, Energy and Natural Resources Committee, U.S. Senate, Washington, DC.

Hon. JEFF BINGAMAN,
Ranking Member, Energy and Natural Resources Committee, U.S. Senate, Washington, DC.

Re: S. 2317, a bill to reduce the royalty rate on soda ash production

DEAR SENATORS DOMENICI AND BINGAMAN: Taxpayers for Common Sense Action (TCS Action), a nonpartisan, budget watchdog group, understands that you are holding a hearing today regarding S. 2317, which would reduce the royalty rate paid on soda ash production on federal lands for a period of 5 years. Given mounting federal deficits, TCS Action is opposed to this legislation.

Minerals on federal lands are public assets that should be managed in a way that provides a fair return to taxpayers. Trona is a mineral that is processed into soda

ash, which is used in products like glass, detergents, cleaning compounds, and paper. Royalty rates on soda ash production were raised in 1995 from 5 percent to 6 for existing leases at the time of renewal and 8 percent for new leases to keep pace with fair market value. Royalty payments are split between the federal government and state where soda ash is produced.

S. 2317 would result in huge revenue losses to both the federal treasury and Wyoming. Ninety percent of the nation's soda ash production is found in Wyoming. The United States produces 30 percent of the soda ash in the world. Slashing the royalty rate from 6 or 8 percent down to 2 percent would put the royalty rate far below fair market value, currently estimated to be above 6 percent. In 2001, the federal government received $11.1 million in royalty payments, with half this money going to Wyoming.

Again, TCS Action is opposed to S. 2317, which would reduce the royalty rate paid on soda ash production to below fair market value. At a time of record deficits, we can ill afford to lose precious federal and state revenue by giving royalty reductions to profitable companies.

Sincerely,

AILEEN RODER,
Program Director.

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